

DATE: June 7, 2011
STAFF: Mike Freeman
Christina Vincent

AGENDA ITEM SUMMARY
URBAN RENEWAL AUTHORITY

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SUBJECT

Resolution No. 033 of the Board of Commissioners of the Fort Collins Urban Renewal Authority Approving a Loan From the City Of Fort Collins to the Fort Collins Urban Renewal Authority and Appropriating the Proceeds of that Loan for the Purpose of Funding Public Infrastructure Improvements for the Kaufman and Robinson, Inc. Project at 1330 Blue Spruce.

EXECUTIVE SUMMARY

The Fort Collins Urban Renewal Authority (URA) is seeking a loan from the City to reimburse Kaufman and Robinson, Inc (KRI) for the public improvements associated with building a new location at 1330 Blue Spruce Drive. Offsetting these costs allowed the retention and expansion of a locally owned business to be economically feasible. The total cost of this Project was \$192,891. The requested loan amount from the City of Fort Collins General Fund Reserves to the URA will be \$192,891. The URA will utilize the City's Interfund Borrowing program that was formally added to the City's investment policies in 2008. This program enables the City to use a portion of its investment portfolio to assist City Departments and related entities (e.g., the URA) to access funds at a competitive interest rate while still providing a market based yield to the City investment portfolio.

BACKGROUND / DISCUSSION

The City and the URA entered into an intergovernmental agreement on August 15, 2006 allowing the City to advance funds to the URA in support of its activities. Any such advance of funds shall be evidenced in writing in the form of a loan memorialized by a promissory note or a grant, which transaction shall not be valid until first having been approved by both the City Council and the URA Commission.

On June 2 2009, the URA Board approved a Redevelopment Agreement between the URA and KRI to provide financial assistance through reimbursement for a new building project at 1330 Blue Spruce Drive. The obligation was to reimburse up to \$215,000 upon issuance of a Certificate of Occupancy for the public improvements as stated in the Redevelopment Agreement.

On December 1, 2009, the URA Board approved a revised Redevelopment Agreement between the URA and KRI to provide additional financial assistance through reimbursement for green building components added to the new building project at 1330 Blue Spruce Drive. The original obligation was to reimburse up to \$215,000 and was increased by \$54,000 for green building features, bringing the maximum amount to \$269,000 upon issuance of a Certificate of Occupancy for the public improvements as stated in the Redevelopment Agreement.

Exhibit C from the Redevelopment Agreement lists the public improvements included as total eligible costs (Attachment 1). Also attached is a list of eligible improvements based on receipts delivered to URA staff. The project did not utilize all the funds originally granted which leaves more unencumbered TIF for the plan area. The URA will see a savings of \$76,109 back to the North College URA Plan area. See table 1 below to illustrate this point.

Table 1

	Amount	Percent of TIF
Total TIF the Project will generate	\$600,000	100%
Total TIF awarded to Kaufman and Robinson	\$269,000	45%
Total reimbursable expenses	\$192,891	32%
Financing costs*	\$32,000	5%
Total cost to URA	\$224,891	37%
Total unencumbered funds for the plan area	\$375,109	63%

*Financing costs are estimated until the rate is set the day after approval.

FINANCIAL / ECONOMIC IMPACTS

The Project was determined by the URA Board to be a qualified project for tax increment financing and consistent with the North College URA Plan as well as the North College Corridor Plan. Over the remaining life of the plan area, the project will generate an estimated \$600,000. This action approves the loan agreement between the City and URA to finance the commitment made by the URA Board to Kaufman and Robinson.

URA funding for the Project totals \$192,891. As mentioned above, the URA will save funding on this project from original projections and allow more funding for plan area wide improvements. This loan is a five year term loan, with the first four years interest only payments and the remaining balance paid in year five.

STAFF RECOMMENDATION

Staff recommends adoption of the Resolution.

ATTACHMENTS

1. Exhibit C to the Kaufman and Robinson Redevelopment Agreement – List of estimated costs for public improvements
2. Powerpoint presentation

EXHIBIT C
IMPROVEMENTS

**Kaufman and Robinson
Summary of URA Funds**

	Expense for Improvements	Cost	Completion Date
1	Increase Landscape Buffer	\$6,600	Dec. 31, 2010
2	Cut Street and Stub wet utilities	\$33,477	*for all improvements
3	Electrical/transformer setting changes	\$15,000	
4	Overlot grading for stormwater detention pond	\$8,337	
5	Storm drainage easement	\$5,000	
6	Storm drainage piping to offsite retention	\$10,725	
7	Storm Drainage pans	\$4,752	
8	Sidewalk construction in ROW	\$1,200	
9	Handicap ramps in ROW	\$770	
10	Overex and recompact building pad	\$6,490	
11	Overex recompact paving subgrade	\$2,834	
12	Chilled process water system	\$119,815	
13	Sustainable Sites Features (Green)	\$9,400	
14	Water Efficiency on site (Green)	\$5,750	
15	Energy and Atmosphere Features (Green)	\$8,000	
16	Materials and Resources (Green)	\$4,600	
17	Indoor Environmental Quality (Green)	\$23,250	
18	Innovation and Design (Green)	\$3,000	
	TOTAL*	\$269,000	

Loan Agreement between City and URA for Kaufman and Robinson Project

URA Board Meeting
June 7, 2011



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Kaufman and Robinson History

- Founded in 1978 as an R & D and consulting firm
- Began manufacturing and selling ion source products in 2002
- Previous 5,000 ft² location not large enough
- Business retention and expansion effort

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Previous Actions

- Approved June 2, 2009 Redevelopment Agreement in the amount of \$215,000 for public improvements
- Approved December 2009 Redevelopment Agreement in the amount of \$269,000 for public improvements with green building components.

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Public Improvements

- Offsite Infrastructure improvements
 - Stormwater drainage and detention
 - Offsite Utilities - Electrical
 - Sidewalk
 - Landscaped right of way
 - Site prep for vacant parcel of land
- Green building features

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Green Building Features

- LEED Certification checklist items:
 - Sustainable Sites
 - Water Efficiency
 - Energy and Atmosphere
 - Materials and Resources
 - Indoor Environmental Quality
 - Innovation and Design

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Tax Increment Financing (TIF)

Original Estimate

TIF generation = \$600K
 TIF request = \$269K
 Financing cost = \$42K
 Total grant = **\$311K**
 TIF remaining = \$289K

Actual

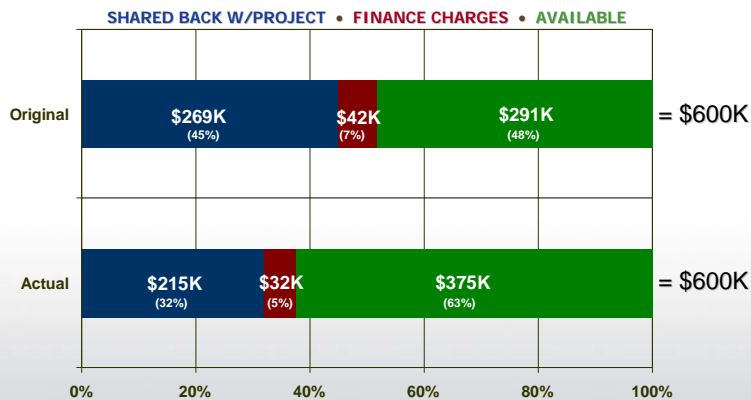
TIF generation = \$600K
 TIF reimburse = \$192,891
 Financing cost = \$32,300*
 Total grant = **\$225,191**
 TIF remaining = \$375K

*Approx. based on rate when approved

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Original vs. Actual TIF



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Before and After Photos



October 2010

April 2011



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City of
Fort Collins

FORT COLLINS
URA

Loan Facts

- URA will incur financing charges of approximately \$32,300
 - based on 10-year Treasury Bill rate
 - actual rate be set at execution
- Reimbursement will come out of the property tax increment generated by the project.

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City of
Fort Collins

FORT COLLINS
URA

Tonight's URA Action

- Authorize the Executive Director to negotiate and sign a loan for \$225,000 for URA.
- URA assumes the debt and reimburses the funds over time.
- Loan will have a 5-year term with no pre-payment penalty.
- 1st four years will be interest only, with balloon payment in year five.

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Project Facts

- New 10,000 sq.ft. building in North College
- Construction Waste Diverted =
 - 2.4 tons drywall
 - .26 tons cardboard
 - .5 tons metal
- Retain and Expand local business
- Improved public infrastructure, pedestrian connection, stormwater facilities and improved visual aesthetic on Blue Spruce

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RESOLUTION NO. 033
OF THE BOARD OF COMMISSIONERS
OF THE FORT COLLINS URBAN RENEWAL AUTHORITY
APPROVING A LOAN FROM THE CITY OF FORT COLLINS
TO THE FORT COLLINS URBAN RENEWAL AUTHORITY AND
APPROPRIATING THE PROCEEDS OF THAT LOAN FOR THE PURPOSE OF
FUNDING PUBLIC INFRASTRUCTURE IMPROVEMENTS FOR
THE KAUFMAN AND ROBINSON, INC. PROJECT AT 1330 BLUE SPRUCE

WHEREAS, the Fort Collins Urban Renewal Authority (the "URA") was created on January 5, 1982 to prevent and eliminate conditions related to certain blight factors in the City; and

WHEREAS, the City Council, by Resolution 2004-152, made findings required by Colorado Revised Statutes Part 1 of Title 31, Article 25 and declared the area described in Resolution 2004-151 as blighted and approved the Urban Renewal Plan for the North College Avenue Corridor (the "Plan"); and

WHEREAS, Kaufman and Robinson, Inc. (the "Developer") constructed a new 10,000 square foot commercial building on a parcel of land approximately 1.76 acres in size located at 1330 Blue Spruce (the "Project"); and

WHEREAS, the Project is located within the boundaries of the North College Urban Renewal Plan Area described in the Plan; and

WHEREAS, the Project included the construction and installation of public infrastructure such as street and stormwater infrastructure improvements within the North College Urban Renewal Area; and

WHEREAS, on December 1, 2009 the Board of Commissioners of the URA (the "Board"), by the adoption of Resolution 2011-022, determined that providing financial assistance for the Project is in the best interests of the URA and serves important public purposes within the plan area, including the promotion, retention and expansion of local businesses; improving the property and sales tax base; enhancing and building public infrastructure; eliminating blight; and otherwise furthering and implementing the purposes, goals, and objectives of the Plan; and

WHEREAS, pursuant to Resolution 2011-022, the URA and Developer have entered into a Redevelopment Agreement for the reimbursement of public infrastructure improvements; and

WHEREAS, the Project has been completed, the total cost of the Project is \$1,600,000 and the cost of the public infrastructure improvements is \$192,891; and

WHEREAS, the URA must borrow funds to pay for its portion of the construction of public improvements related to the Project until it is able to use the additional increment of property tax generated by the Developer's Project to issue a bond or obtain other financing; and

WHEREAS, on June 7, 2011, the City Council approved the use of the General Fund reserves for a loan to the URA for the purpose of public infrastructure improvements; and

WHEREAS, staff has prepared a proposed promissory note (the "Note") and loan agreement entitled "Loan Agreement Between the City of Fort Collins and the Fort Collins Urban Renewal Authority for the Kaufman and Robinson, Inc. Project at 1330 Blue Spruce" (the "Loan Agreement") attached hereto as Exhibit "A" and incorporated herein by this reference; and

WHEREAS, the URA is authorized by Section 31-25-105 of the Colorado Revised Statutes to borrow money in such amounts as may be needed to meet its purposes; and

WHEREAS, the Board believes that the Note and Loan Agreement are in the best interests of the URA.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF THE FORT COLLINS URBAN RENEWAL AUTHORITY as follows:

Section 1. That the Note and Loan Agreement are hereby approved by the Board on substantially the same terms and conditions as shown on Exhibit "A", subject to such modifications in form or substance as the Executive Director may, in consultation with the URA Attorney, deem to be desirable and necessary to protect the interests of the URA.

Section 2. That there is hereby appropriated for expenditure from the foregoing loan to the URA the sum of ONE HUNDRED NINETY TWO THOUSAND EIGHT HUNDRED NINETY ONE DOLLARS (\$192,891) for the purpose of construction and installation of public infrastructure such as street and stormwater public infrastructure improvements.

Passed and adopted at a regular meeting of the Board of Commissioners of the Fort Collins Urban Renewal Authority this 7th day of June, A.D. 2011.

Executive Director

ATTEST:

Secretary

**LOAN AGREEMENT BETWEEN THE CITY OF FORT COLLINS
AND THE FORT COLLINS URBAN RENEWAL AUTHORITY
FOR FUNDING THE
KAUFMAN AND ROBINSON, INC. PROJECT AT 1330 BLUE SPRUCE PROJECT**

THIS LOAN AGREEMENT (the "Agreement") made this ____ day of July, 2011, by and between the CITY OF FORT COLLINS, COLORADO, a municipal corporation, (the "City"), and FORT COLLINS URBAN RENEWAL AUTHORITY, a public body corporate and politic of the State of Colorado, (the "Borrower").

RECITALS

A. Borrower is an urban renewal authority for the City, created pursuant to Colorado Revised Statutes Part 1 of Title 31, Article 25, as amended (the "Act").

B. Borrower was created on January 5, 1982 to prevent and eliminate conditions related to certain "blight factors" in the community. The Act gives the Borrower broad powers to carry out its statutory mandate. Included are the powers to enter into contracts, borrow or lend funds and to acquire property, among others. Urban renewal projects may be financed in a variety of ways and urban renewal authorities are authorized to borrow money, issue bonds, and accept grants from public or private sources.

C. By Resolution 2004-151, the City Council for the City (the "City Council") found and declared the area described therein (the "Area") to be a blighted area as defined in the Act, and appropriate for inclusion in an urban renewal project.

D. By Resolution 2004-152, the City Council made findings and approved the urban renewal plan (the "Plan") for the North College Avenue Corridor.

E. By the Intergovernmental Agreement approved by City of Fort Collins Resolution 2006-082, the City may advance funds to the Borrower in support of its activities so long as any such advance of funds is evidenced in writing in the form of a loan memorialized by a promissory note, which transaction shall not be valid until first having been approved by both the City Council and the URA Commission.

F. Borrower will incur certain costs relating to the design, installation, construction and financing of public improvements in the Area (the "Project") and has requested and applied to City for a loan to provide funding for these costs not to exceed One Hundred Ninety Two Thousand Eight Hundred Ninety One Dollars (\$192,891) and City is willing to make a loan on the terms and conditions hereinafter set forth (the "Loan").

G. Tax increment financing for the Project is specifically permitted pursuant to Section 7 of the Plan.

NOW, THEREFORE, in consideration of the mutual covenants and agreements herein contained, the parties agree as follows:

Section 1. The Loan. After the effective date of this Agreement (the "Effective Date"), the adoption of the required resolutions by the City and Borrower, and the execution of a promissory note and other documents as may reasonably be required the City will loan the Borrower the sum of One Hundred Ninety Two Thousand Eight Hundred Ninety One Dollars (\$192,891) from the City's General Fund (the "Loan").

Section 2. Interest. Interest on the Loan will accrue at a rate equal to _____%.

Section 3. Payment. Principal and accrued interest will be due and payable by the Borrower to the City as follows:

For years 0 through 4 (Annual Payment Term): there will be annual payments of principal and interest.

For the anniversary of the 5th Effective Date: there will be a lump sum payment of all remaining principal and interest.

The payment schedule, under which Borrower must make its payments, is in Exhibit A, attached and incorporated into this Agreement.

Borrower, in its sole discretion, may prepay all or any portion of the Loan at any time and that prepayment will be without any prepayment penalty. If a prepayment is made, the funds will go first toward any interest which has accrued and the balance then applied to the reduction of principal.

Section 4. Tracking. Borrower agrees to maintain a separate payable line-item within its accounting system to track the Loan.

Section 5. Alternative Financing. The Parties contemplate that at some point in the future the Borrower will obtain alternative financing (e.g. bond financing) and will diligently pursue that financing with a goal to reducing the outstanding balance of the Loan.

Section 6. Notice. Any notice required to be delivered in writing will be accomplished by personal delivery or mailing postage prepaid by the United States Postal Service, or other commercial carrier to the following addresses:

If to the City
City of Fort Collins
Director of Finance
PO Box 580
Fort Collins, CO 80522-0580

If to the Borrower
Fort Collins Urban Renewal Authority
Director of Advance Planning
PO Box 580
Fort Collins, CO 80522-0580.

Section 7. Entire Agreement. This Agreement will be construed according to its fair meaning, as if prepared by both Parties, and constitutes the entire understanding and agreement of the Parties related to the matters addressed in this Agreement.

CITY:

CITY OF FORT COLLINS, COLORADO, a
municipal corporation

By: _____
Douglas P. Hutchinson, Mayor

ATTEST:

By: _____
Wanda Krajiceck, City Clerk

APPROVED AS TO FORM:

By: _____
Assistant City Attorney

BORROWER:

FORT COLLINS URBAN RENEWAL
AUTHORITY, a public body corporate and politic
of the State of Colorado.

By: _____
Executive Director

EXHIBIT A

2011 City Loan to URA for Kaufman and Robinson

Start Date	15-July-11	*
Amount	\$192,891.00	
Years	5	
Interest	3.348%	**

Payment #	Date	Payment Amount	Interest	Principal	Balance
	31-July-11				192,891.00
1	31-July-12	6,457.99	6,457.99	-	192,891.00
2	31-July-13	6,457.99	6,457.99	-	192,891.00
3	31-July-14	6,457.99	6,457.99	-	192,891.00
4	31-July-15	6,457.99	6,457.99	-	192,891.00
5	31-July-21	199,348.99	6,457.99	192,891.00	-
		<u>225,180.95</u>	<u>32,289.95</u>	<u>192,891.00</u>	

* - Start date will be set when loan agreement is authorized.

** - Rate will be established the day after loan agreement is authorized.

PROMISSORY NOTE

\$192,891

_____, 2011

FOR VALUE RECEIVED, FORT COLLINS URBAN RENEWAL AUTHORITY, a public body corporate and politic of the State of Colorado ("Borrower"), promises to pay to the order of THE CITY OF FORT COLLINS, COLORADO, a municipal corporation ("Lender"), at its office at 300 LaPorte Avenue, Fort Collins, Colorado 80524, in lawful money of the United States of America the principal amount of One Hundred Ninety Two Thousand Eight Hundred and Ninety One Dollars (\$192,891). This Promissory Note is issued pursuant to the Loan Agreement between the City of Fort Collins and The Fort Collins Urban Renewal Authority for Funding the Kaufman and Robinson, Inc. New Building at 1330 Blue Spruce Project dated July __, 2011, between Borrower and Lender (the "Loan Agreement"). Capitalized terms used herein but not defined herein have the meanings given such terms in the Loan Agreement. The obligations of Borrower evidenced by this Promissory Note are payable in accordance with the terms and conditions of the Loan Agreement.

The rate of interest borne by this Promissory Note is a fixed rate equal to _____ % per annum ("Interest Rate"). Final payment of all unpaid Principal and accrued interest will be due and payable on the Maturity Date. The annual interest rate of this Promissory Note is computed on a 360 day year basis, multiplied by the actual number of days elapsed.

The Loan may be drawn 100% upon execution of the Loan Documents, or in part from time to time, but not more frequently than monthly.

This Promissory Note shall mature on the tenth anniversary of the Effective Date. At such time all unpaid principal, interest, default interest, fees and charges owing under this Note shall be deemed payable in full.

Unless otherwise agreed or required by applicable law, payments will be applied first to any accrued interest; then to principal; then to any late charges; and then to any unpaid collection costs.

If Lender refers this Note to an attorney for collection or seeks legal advice following a default beyond all cure periods alleged under this Note, or the Lender is the prevailing party in any action instituted on this Note, or if any other judicial or non-judicial action, suit or proceeding is instituted by Lender or any future holder of this Note, and an attorney is employed by Lender to appear in any such action or proceeding, or to reclaim, seek relief from a judicial or statutory stay, sequester, protect, preserve or enforce Lender's interest in this Note, the Loan Documents or any other security for this Note (including, but not limited to, proceedings under federal bankruptcy law or in connection with any state or federal tax lien), then Borrower promises to pay reasonable attorneys' fees and reasonable costs and expenses incurred by Lender and/or its attorney in connection with the above-mentioned events. If not

paid within ten (10) days after such fees become due and written demand for payment is made, such amount shall be due on demand or may be added to the principal, at the Lender's discretion.

Should any payment or installment hereunder be not paid when the same becomes due and payable, Borrower recognizes that the Lender will incur extra expenses for both the administrative cost of handling delinquent payments and the cost of funds incurred by Lender after such due date as a result of not having received such payment when due. Therefore, Borrower shall, in such event, without further notice, and without prejudice to the right of Lender to collect any other amounts provided to be paid herein, including default interest or to declare a default hereunder, pay to Lender to cover such expenses incurred as a result of any installment payment due being not received within ten (10) days of its due date, a "late charge" of five percent (5%) of the amount of such delinquent payment.

Except as otherwise provided herein, the Borrower waives presentment and demand for payment, notice of acceleration or of maturity, protest and notice of protest and nonpayment, bringing of suit and diligence in taking any action to collect sums owing hereunder and agrees that its liability on this Note shall not be affected by any release or change in any security for the payment of this Note or release of anyone liable hereunder. No extension of time for the payment of this Note, or any installment or other modification of the terms made by the Lender with any person now or hereafter liable for the payment of this Note, shall affect the original liability under this Note of the Borrower, even provided the Borrower is a party to such agreement.

In no event whatsoever shall the amount paid, or agreed to be paid, to the holder of this Note for the use, forbearance or retention of the money to be loaned hereunder ("Interest") exceed the maximum amount permissible under applicable law. If the performance or fulfillment of any provision hereof or of any of the Loan Documents or any agreement between Borrower and the Lender of this Note shall result in Interest exceeding the limit for interest prescribed by law, then the amount of such Interest shall be reduced to such limit. If, from any circumstance whatsoever, the Lender of this Note should receive as Interest, an amount which would exceed the highest lawful rate, the amount which would be excessive Interest shall be applied to the reduction of the principal balance owing (or, at the option of the Lender, be paid over to Borrower) and not to the payment of Interest.

If any provision hereof or any of the Loan Documents shall, for any reason and to any extent, be invalid or unenforceable, then the remainder of the document or instrument in which such provision is contained and any of the other Loan Documents shall not be affected thereby but instead shall be enforceable to the maximum extent permitted by law.

Borrower and Lender hereby knowingly, voluntarily, and intentionally waive any rights they may have to a trial by jury in respect of any litigation based hereon or arising out of, under or in connection with this note or any course of conduct, course of dealing, statements (whether oral or written) or actions of the other party.

This Promissory Note shall be construed in accordance with the laws of the State of Colorado.

IN WITNESS WHEREOF, Borrower has duly executed this Promissory Note as of the day and year first above written.

BORROWER:

FORT COLLINS URBAN RENEWAL
AUTHORITY, a public body corporate and politic
of the State of Colorado.

By: _____
Executive Director