DATE: May 7, 2013
STAFF: Wanda Nelson

AGENDA ITEM SUMMARY

URBAN RENEWAL AUTHORITY

8

SUBJECT

Consideration and Approval of the Minutes of the March 27, 2013 Urban Renewal Authority Meeting.

March 27, 2013

Urban Renewal Authority

A meeting of the Fort Collins Urban Renewal Authority was held on Wednesday, March 27, 2013, at 6:30 p.m. in the Council Chambers of the City of Fort Collins City Hall. Roll Call was answered by the following Boardmembers: Horak, Kottwitz, Manvel, Ohlson, Troxell, and Weitkunat.

(Secretary's note: Boardmember Poppaw arrived at 7:04 p.m.)

Staff Members Present: Atteberry, Nelson, Roy.

Citizen Participation

Eric Sutherland, 3520 Golden Currant, opposed the management of the Urban Renewal Authority.

Patrick Edwards, 1731 Valley Forge, supported good partnerships within Larimer County and supported improvement of the Urban Renewal Authority functions.

Citizen Participation Follow-Up

Boardmember Horak noted the County and other taxing entities receive whatever increase occur for property taxes for URA projects. He cited examples of cooperation and partnership with other governmental entities.

Consideration and Approval of the Minutes of the January 15 and February 28, 2013 Urban Renewal Authority Meeting, Adopted

Vice-Chairman Ohlson made a motion, seconded by Boardmember Manvel, to approve the minutes of the January 15 and February 28, 2013 Urban Renewal Authority meetings. Yeas: Weitkunat, Manvel, Kottwitz, Ohlson, Horak and Troxell. Nays: none.

THE MOTION CARRIED.

Resolution No. 052
Approving a Redevelopment Agreement Between the Fort Collins Urban Renewal Authority and Breckenridge Group Fort Collins Colorado for the Aspen Heights Project, Adopted

The following is the staff memorandum for this item.

"EXECUTIVE SUMMARY

This Resolution would adopt a Redevelopment Agreement between Breckenridge Land Acquisition, LP (Developer) and the Fort Collins Urban Renewal Authority (URA) for Aspen Heights, a 220-unit student-oriented housing development in the North College Urban Renewal Plan area. The Developer requests $792,166 in tax increment financing to construct off-site street improvements.

The total project cost is $46.5 million and is estimated to generate $174,641 in annual tax increment revenue.

BACKGROUND / DISCUSSION

Aspen Heights is a new residential development proposed within the North College Urban Renewal Plan area. The Fort Collins Urban Renewal Authority (URA) received a formal application from Breckenridge Land Acquisition, LP (Developer) requesting a total of $1,329,576 in financial assistance (see URA Application, Attachment 1). This assistance would take two forms: $792,166 would be reimbursed using tax increment financing (TIF) for off-site public infrastructure; the remaining $537,410 would be in the form of a bridge loan to allow City Stormwater to reimburse the Developer for regional detention improvements in a timely manner. The URA has worked with the Developer since summer 2012 to refine the financial request with input from the North College Citizen Advisory Group (CAG), the URA Board Finance Committee, and other City departments.

Project Description

Aspen Heights is a 220-unit student-oriented rental housing project located to the east of North College Avenue, between Conifer Street and re-aligned Vine Drive. The site is approximately 31 acres and will include 62 duplexes, 76 multi-family units, and 82 single family homes for a total of 567 bedrooms available for individual leasing. The single family homes are proposed for conversion to extra occupancy rental houses after construction, increasing the total number of bedrooms to 712 (see Site Plan, Attachment 2).

In addition to the on-site improvements, Aspen Heights will construct public street and stormwater infrastructure, including:

- ***Northeast College Corridor Outfall (NECCO) -** In 2010, the City purchased approximately 9.4 acres immediately adjacent to the Aspen Heights property to function as a regional detention pond for NECCO. If fully excavated, this site has the potential capacity of 40 acre feet of drainage. As part of the construction of the project, Aspen Heights will excavate 5.4 acre feet of the pond to serve its development. In addition to the excavation work, the project will install regional-sized stormwater pipes, including three inflow pipes and one outflow pipe, which provides important infrastructure for the broader NECCO project (see Stormwater Improvement Map, Attachment 3).*
- ***Re-aligned Vine Drive** – this project will build a portion of re-aligned Vine Drive, a new east-west street that will ultimately connect North College Avenue to I-25. While a portion of the northern segment of re-aligned Vine Drive frontage abuts Aspen Heights' property, the majority of frontage abuts the City-owned NECCO pond. To the south, re-aligned Vine Drive frontage abuts Old Town North, a partially-finished residential development, and the remaining portion abuts an undevelopable portion of Aspen Heights' property (see Street Improvements Map, Attachment 4). A developer is typically required to pay for the local portion of the street that fronts his/her property; the developer of the other side of the road pays his/her portion as well, and street oversizing will pay the difference of bringing the road to its ultimate planned size.*
- ***Redwood Street** – Redwood Street is currently a north-south road that ends at The Meadows at Redwood, a development immediately to the east of Aspen Heights, but then begins again to the south of Aspen Heights at Cajetan Street. This project will complete Redwood Street,*

providing a new alternative route from the north to Downtown, serving as a critical travel alternative to North College Avenue.

- ***Dry Creek Conditional Letter of Map Revision*** *(CLOMR/LOMR) – a portion of Redwood Street is within the Dry Creek floodplain, and this project will be required to obtain a CLOMR/LOMR from the Federal Emergency Management Agency (FEMA).*

Public Benefits

Public benefit is measured by the extent to which the project aligns and achieves City policies and remediates blight. By adding housing and building regional public infrastructure in the North College area, Aspen Heights achieves a variety of City goals, explained in detail below.

Aspen Heights supports a number of City Plan policies, including:

- *EH 4.1 – Prioritize Targeted Redevelopment and Infill. Create and utilize strategies and plans, as described in the Community and Neighborhood Livability chapter's Infill and Redevelopment section, to support redevelopment areas and prevent areas from becoming blighted. The Targeted Infill and Redevelopment Areas shall be a priority for future development, capital investment, and public incentives.*
- *LIV 5.1 – Encourage Targeted Redevelopment and Infill. Encourage redevelopment and infill in Activity Centers and Targeted Infill and Redevelopment Areas identified on the Targeted Infill and Redevelopment Areas Map.*
- *LIV 7.7 – Accommodate the Student Population. Plan for and incorporate new housing for the student population on campuses and in areas near educational campuses and/or that are well-served by public transportation.*
- *LIV 22.3 – Offer Multi-Family Variation. Offer variation among individual buildings within multi-building projects, yet stay within a coordinated overall "design theme." Achieve variation among buildings through a combination of different footprints, façade treatment, roof forms, entrance features, and, in specialized cases, building orientation. Avoid monotonous complexes of identical buildings, although there may be ways to achieve visual interest among substantially identical buildings with a high degree of articulation on each building, combined with variation in massing on the site.*
- *ENV 20.4 – Develop Public/Private Partnerships. Employ public/private partnerships to optimize the balance between stormwater management and compact development. Take advantage of opportunities to combine stormwater management needs from both public and private lands.*

The North College Infrastructure Funding Plan was created to prioritize key infrastructure in the area. The missing segment of Redwood Drive that Aspen Heights will build is listed as a high priority in the Plan. Furthermore, building the portion of re-aligned Vine Drive and installing the stormwater piping for NECCO, although considered to have lower priority, are identified as necessary infrastructure. All of these improvements were identified in the Plan as helping solve for adequate public facility issues and supporting economic development.

Several blight factors as defined in Colorado Urban Renewal Law and cited in the North College Avenue Existing Conditions Study will be mitigated by this project, including:

- *Defective or inadequate street layout – Aspen Heights will add essential regional street infrastructure to remedy the lack of street connections in the area. The project will build the very first segment of the long-envisioned re-aligned Vine Drive, which will likely catalyze additional development within the area.*
- *Deteriorated site or other public infrastructure – this area lacks an adequate, coordinated drainage system; Aspen Heights is making progress to correct this issue by installing drainage infrastructure that will provide a regional benefit to existing and future development in the North College area.*
- *Inadequate public improvements or utilities – as mentioned in the previous two bullets, Aspen Heights will contribute to the creation of an adequate drainage system and functional street network.*
- *Substantial physical underutilization or vacancy of sites – the fact that this site remains undeveloped in an otherwise urban area qualifies as helping to remediate this issue.*

Furthermore, several goals and policies articulated in the North College Corridor Plan are advanced by Aspen Heights:

- *Goal STN 1. Evolve a more complete pattern of streets, drives, and alleyways forming interconnected blocks of development, serviced by public access and utilities, behind highway (U.S. 287) frontage.*
- *Policy LU 1.1 – Synergy. Zoning, City actions, URA, and business association efforts will assist "high multiplier" uses that bring people and economic activity, and add synergy with surrounding properties. Examples include 1) dwellings, 2) stable living-wage jobs, 3) retail sales and 4) attractions.*
- *Policy FAD 2.1 – Seek Leverage Opportunities. Continuously seek and find ways to improve exceptional, image-changing locations by making transportation and drainage improvements; this sets the stage for additional development and public improvement projects to fill in gaps. Seek out transportation and drainage projects that combine multiple funding sources to create multi-functional benefits.*

TIF Reimbursement

Tax Increment Generation

The Larimer County Assessor's Office (County) provided an estimate of future value, which was used to develop an estimate of potential tax increment generated by the project (see Attachment 1-G). Based on this analysis, the County estimates the stabilized value of the property to be $34 million at completion, generating $174,641 per year in tax increment. Assuming construction is completed in 2014, there is 15 years of annual increment potentially available to the project; conservatively estimating property values will not appreciate during that timeframe, the resulting total increment is $2,532,295.

Eligible Costs

The Developer requests $792,166 in tax increment financing (TIF) from the URA, which represents 30% of the total increment generated by the project. The Developer will receive interest on the eligible costs at a rate of 3.25% per year. This adds an additional $101,121 to the TIF reimbursement, bringing the total URA commitment to $894,287 or 35% of the total increment *generated by the project. TIF will be used to reimburse eligible costs associated with public infrastructure improvements that benefit the entire North College region.*

Typically, when a new street is required to be built, a development is required to build the local portion of the street that directly abuts their property. If the land on the other side of the street has a different property owner, that owner is required to build the local portion of street that abuts his/her property. Normally, a full improvement includes the street, curb, gutter, landscaped parkway, and sidewalk. In cases where the City requires a higher level street classification, e.g., arterial, the Street Oversizing Program contributes the differential to build the street to its ultimate design.

In Aspen Heights' case, the Developer is building the entire street section for portions of re-aligned Vine Drive and the missing Redwood Street connection. It is important to note, however, that not all street segments will have full improvements. For example, the east side of Redwood Street will not have a landscaped parkway or sidewalk; only the street, curb and gutter will be constructed. Attachment 4 provides details of the level of improvements associated with each segment of Redwood and Vine.

The development to the south of Aspen Heights, Old Town North, would be responsible for repaying the Developer for its portion of re-aligned Vine Drive. The property owners to the east of Aspen Heights would be responsible for repaying the Developer for their portions of Redwood Street. However, development of Old Town North has stalled and the properties to the east are undeveloped, making the timing of reimbursement to Aspen Heights uncertain. Additionally, significant portions of Redwood and Vine abut the City-owned NECCO pond, and the City does not typically reimburse a Developer for street improvements that abut its property.

Since the timing of street improvement repayments from adjacent property owners is unknown and, in the case of the City property, repayment will not be made, the Developer requested the URA provide TIF to assist with these costs. The URA would then become the recipient of repayment obligations from adjacent property owners at such time when those properties develop. Table 1 below provides the cost allocation for the street improvements.

Table 1: Cost Allocation for Street Improvements

Off-site Street Improvements ***Redwood and Re-aligned Vine Drive*** *(Physical street and utility improvements, street landscaping, Dry Creek CLOMR/LOMR)*		
Developer	*$135,139*	*8.7%*
City (Street Oversizing)	*$643,959*	*41.3%*
URA TIF	*$778,666*[1]	*50%*
Total	*$1,557,764*	*100%*

[1] Based on City Engineering estimates for street improvement costs, preliminary calculations estimate approximately $290,000 would ultimately be repaid to the URA for Redwood, and approximately $145,800 would be repaid to the URA for re-aligned Vine.

In addition to the street improvements, the Developer requests TIF assistance to remove and replace trees that are in the pathway of re-aligned Vine Drive and Redwood Street. Attachment 5 is an *illustration of the tree removal and other environmental mitigation. The allocation for this cost is shown in Table 2 below.*

Table 2: Cost Allocation for Tree Removal and Replacement

Tree Removal and Replacement Tree Upsizing Associated with Redwood and Re-aligned Vine Drive		
Developer	*$1,500*	*10%*
City	*$0*	*0%*
URA TIF	*$13,500*	*90%*
Total	*$15,000*	*100%*

Reimbursement Structure

In the past, the URA has provided developers a one-time reimbursement for eligible costs once the project is complete and invoices are received and approved. Since the URA does not have sufficient fund balance to pay these reimbursements outright, it has had to borrow money from the City of Fort Collins to fulfill its reimbursement obligations. In order to relieve the City from this role as lender, a different reimbursement structure is being proposed for Aspen Heights.

Rather than receiving one lump-sum reimbursement, the Developer will receive annual reimbursement payments from the URA based upon actual tax increment revenue generated by the project. The reimbursement process will generally occur as follows:

1. *The Developer completes all improvements and submits receipts to the URA for eligible costs as defined in the Redevelopment Agreement.*
2. *The Developer completes the project.*
3. *The Larimer County Assessor establishes a value for the property and completed improvements.*
4. *The URA collects tax increment revenue based on the Assessor's valuation.*
   a. *10% of the increment collected is retained by the URA.*
   b. *90% of the increment is available to reimburse the Developer.*
5. *The Developer will receive an annual reimbursement for principal (verified eligible costs, up to $792,166) plus interest (3.25% per year) based upon an amortization schedule. It is anticipated the URA will be able to fulfill its obligation to the developer within 7 years. After the 8th year, the URA would retain 100% of the increment generated by the project.*
6. *If more or less increment is collected, the amortization schedule will be adjusted accordingly and would impact the actual financing cost.*
7. *The URA retains the ability to pre-pay the reimbursement obligation at any time, which would lower the financing cost.*

Benefits of this structure include:

- *A loan is not needed from the City for the URA to pay its reimbursement obligation.*
- *Reduces risk to the URA and City because reimbursements are based upon actual tax increment revenue.*
- *The URA retains 10% of the annual increment as soon as the project is completed until the reimbursement is fully paid (anticipated being 7 years)and retains 100% of the increment thereafter.*

Bridge Loan

As mentioned previously, Aspen Heights will install three inflow pipes and one outflow pipe for the Northeast College Corridor Outfall (NECCO) project that will ultimately provide significant regional benefit. Earthwork and piping associated with this project has a total cost of $1,046,636. The City Stormwater Division (Stormwater) typically reimburses a Developer for the portion of these costs that are regional in nature; Aspen Heights' reimbursement has been estimated at $537,410. Table 3 shows the allocation of cost.

Table 3: Allocation of Cost for Stormwater Detention Improvements

Stormwater Detention Improvements		
(NECCO piping and detention basin)		
Developer	*$509,226*	*48.6%*
City (Stormwater Utility)	*$537,410[2]*	*51.4%*
URA TIF	*$0*	*0%*
Total	*$1,046,636*	*100%*

[2] If Stormwater has insufficient funds at the time Aspen Heights seeks reimbursement, the URA would provide a bridge loan to Stormwater to ensure a timely reimbursement.

Stormwater's process for reimbursement is based upon when a project executes a Development Agreement. Upon execution of the Development Agreement, the project becomes entitled to a reimbursement based upon the amount of funding Stormwater has available at that particular time. The reimbursement is on a first-come, first-served basis; if the available funding is committed to certain projects, subsequent projects must wait until the following year, or until such time as sufficient funding is available, to receive reimbursement.

In Aspen Heights' case, it seems likely that Stormwater will have sufficient funds to provide the project a timely reimbursement. However, if other projects needing reimbursement get their Development Agreements executed before Aspen Heights, it may take 1-3 years or longer before the Developer will be fully reimbursed. The uncertainty of when the Developer would be reimbursed by Stormwater and the regional nature of these improvements has led to the request that the URA provide a bridge loan so this project can be reimbursed upon completion of the improvements.

The bridge loan would be available to the Developer only if Stormwater is unable to substantially reimburse the project within one year after the improvements are completed. If Stormwater is able to commit a portion of the reimbursement to Aspen Heights, e.g., 50%, the URA bridge loan would be reduced accordingly. Execution of the bridge loan, if needed, would require a separate action by Council and the URA Board, which will be coordinated after the Developer executes a Development Agreement.

FINANCIAL / ECONOMIC IMPACTS

Currently, the project site generates approximately $71,040 in annual property tax revenue. After the Developer's $46.5 million investment, the site will generate approximately $174,641 in annual tax increment. Based upon a conservative estimate assuming no appreciation, the site will generate approximately $2.5 million over the remaining life of the North College Urban Renewal Plan area. The Developer's request for $792,166 represents 30% of the total increment

Although the URA will not have to borrow funds from the City to cover the reimbursement obligation, the Redevelopment Agreement commits the URA to repay the Developer principle and interest from the annual increment. Currently, the amortization schedule assumes an interest rate of 3.25%, which is likely lower than the actual interest rate the Developer will be paying on the construction loan. However, when taken into consideration, the total tax increment provided to Aspen Heights would be $894,287 ($792,166 principle + $101,121 interest), or 35% of the total increment.

ENVIRONMENTAL IMPACTS

Approximately 12,943 square feet of wetland area will be disturbed by Aspen Heights, primarily due to the Northeast College Corridor Outfall (NECCO) project. The Developer will replace this wetland area on-site for a new total of 14,810 square feet, or 15% larger than the original square footage.

Although the Developer will only excavate a small portion of the NECCO pond for the project's detention purposes, installation of the inflow and outfall pipes will make important progress towards the broader NECCO project. The NECCO project will provide a much-needed stormwater management system for the area east of College Avenue from Vine Drive north to the City Limits. Aspen Heights' contribution will provide future development access to the regional detention pond.

BOARD / COMMISSION RECOMMENDATION

The North College Citizen Advisory Group (CAG) met on November 1 and December 13, 2012 to consider the Developer's request for TIF (meeting minutes provided in Attachment 6 and 7). At the December 13 meeting, the CAG voted unanimously to recommend funding. "

Josh Birks, Economic Health Director, reviewed the goals of the Urban Renewal Authority (URA) and stated this project falls into the goal category of accelerating an outcome that otherwise may have taken a longer time period, particularly in regard to public improvements.

Megan Bolin, Economic Health Analyst, stated this Resolution would adopt the redevelopment agreement between the developer and the URA which would provide tax increment financing assistance for the construction of public improvements associated with Aspen Heights. Bolin reviewed the project site details and the public improvements which will be part of the project. She stated the Aspen Heights project aligns and furthers specific policies in City Plan, the North College Corridor Plan, the North College Infrastructure Funding Plan, and the North College Existing Conditions Survey. Bolin reviewed the estimates for tax increment generation and the tax increment financing amounts and payment structure and noted the developer's reimbursement is completely dependent upon the actual tax increment collected.

City Attorney Roy noted the adopted rules for Urban Renewal Authority meetings allow an applicant presentation.

Rich Shannon, Pinnacle Consulting Group, noted this project meets many City Plan and other City goals. He stated the project is at least 6 months behind schedule as it attempts to meet the strong encouragement of the City to complete the public improvements with an appropriate funding mechanism.

Lucia Liley, Applicant Counsel, discussed the details of the funding plan and stated it is a risk-averse deal for the URA.

Kurt Kniegge, Fort Collins resident, opposed the use of tax payer dollars for this project.

Ross Cunniff, 2267 Clydesdale, questioned the details of the plan.

Eric Sutherland, 3520 Golden Currant, opposed the funding plan and redevelopment agreement.

Patrick Edwards, 1731 Valley Forge, stated the city needs more multi-family units and encouraged the enforcement of behavior laws.

Tom Lawton, 1406 Freedom Lane, opposed the details of the plan and stated all projects in the URA area should be treated equally.

Vice-Chair Ohlson requested information relating to the “but for” issue. Birks replied there are three main purposes for utilizing Urban Renewal Authority and tax increment financing to create projects that clearly are impeded by significant site and financial constraints and demonstrate a clear financial “but for” test. Another purpose is to accelerate projects that may otherwise be delivered by the market, or to accelerate public improvements. The final purpose is to enhance the outcome of projects. A “but for” financial evaluation was prepared for this particular site and, as has been stated, $800,000 represents a small portion of the actual project costs.

Vice-Chair Ohlson asked if the policies allow the “but for” evaluation to fail if some of the other purposes are fulfilled. Birks replied the policies clearly indicate regional infrastructure is one of the primary objectives for the area. Hendee noted North College has started redevelop, despite being on the radar for quite some time. At some point, the “but for” test will not apply; however, at this point, the “but for” is being applied to something that is going to entirely approve regional community benefit projects.

Boardmember Horak asked if the term “project” means the development with the two major infrastructure improvements, or is it just the development. Birks replied the “project” is the development plus the infrastructure improvements and stated staff is of the opinion that accelerating the regional infrastructure falls under the term “exceptional circumstances” as per the URA policies.

Vice-Chair Ohlson asked why the score card hadn’t been used. Bolin replied the Citizen Advisory Group made a conscious decision to not use it.

Vice-Chair Ohlson asked about the sustainability factor of hundreds of student housing units being located this distance from campus. Hendee replied this development probably does not encourage a reduction in vehicle miles traveled; however, the project does provide a needed housing project and meets an economic need for North College.

Boardmember Manvel noted public transportation to and from the project is quite available. Birks also noted the area is intended to be part of a larger high-frequency transit network and shuttle service, if needed, was a condition of approval of the plan.

Boardmember Manvel asked about the availability of stormwater funds. Bolin replied it is very likely there will be enough funding available to reimburse the Aspen Heights developer.

Boardmember Troxell made a motion, seconded by Boardmember Kottwitz, to adopt Resolution 2013-052.

Boardmember Horak questioned the logic of stormwater not getting funding from another utility versus the URA. Birks replied the goal was to try to affect a timely reimbursement and stated he was unsure of the legal requirements relating to utilities funds.

Boardmember Manvel noted this is a different type of URA project, the acceleration of which may be more of a benefit to the Aspen Heights development itself; however, the paybacks which will be coming from future developments make the agreement sensible.

Boardmember Troxell stated he would support the motion, citing the aspects of this project which will improve the north Fort Collins area.

Boardmember Horak asked what portion of the new Vine Drive will be the project's portion. Sheri Langenberger, Development Review Manager, replied the Code requires that development build the local street portion adjacent to its development.

Boardmember Horak stated he would support the motion, but expressed concern about new street portions which may end up deteriorating before they get used.

Vice-Chair Ohlson suggested the use of the scorecard not be optional and encouraged a potential shift in the thinking behind the use of tax increment financing. He stated he would support the motion.

Boardmember Horak commended the staff for the development of a more risk-averse, conservative agreement.

Chair Weitkunat commended the use of the URA for infrastructure improvements.

The vote on the motion was as follows: Yeas: Weitkunat, Manvel, Kottwitz, Ohlson, Poppaw, Horak and Troxell. Nays: none.

THE MOTION CARRIED.

(Secretary's note: The Council took a brief recess at this point in the meeting.)

Resolution No. 053
Adopting Revised Policies and Procedures for the
Urban Renewal Authority, Postponed Indefinitely

The following is the staff memorandum for this item.

"EXECUTIVE SUMMARY

As a follow up to the February 28, 2013 URA Board work session, this Resolution amends the adopted 2012 URA Policies and Procedures. As an alternative to required participation in IDAP, the amended Policies require participation in the EPA's Energy Star program and the Target Finder system to set energy targets for new buildings and major renovations. Additionally, in an effort to meet the City of Fort Collins established goal of diverting 50% of the community waste from landfills, the amended Policies also requires URA funded projects to demonstrate that at least 50% of the waste materials by weight (excluding waste containing lead, asbestos or other hazardous material) generated by a construction or demolition project be diverted from the landfill through waste management options, such as reuse or recycling. The Resolution also delegates the authority to approve Administrative Procedures with the Executive Director, and includes some minor language changes for clarification purposes.

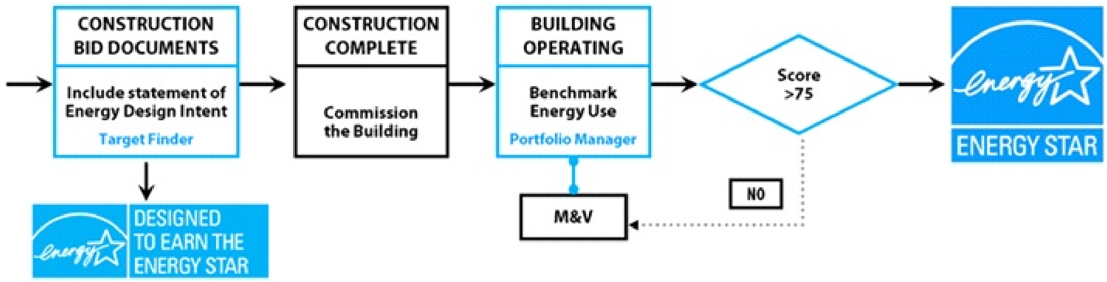
BACKGROUND / DISCUSSION

Energy Efficiency Requirements

During the October 23, 2012 URA Board meeting, it was recommended that URA projects be required to participate in the Fort Collins Utilities Integrated Design Assistance Program (IDAP) as an alternative to requiring buildings to meet a LEED certification. Since that time, City Utilities has moved forward to redesign IDAP as a performance-based program in alignment with the Architecture 2030 Challenge, a program with a path to carbon neutral buildings by 2030. The new IDAP will require a significant commitment from property owners in terms of monitoring and program compliance and would be very difficult to achieve without willing property owners that are dedicated to the outcome.

As an alternative to required participation in IDAP, it is recommended the Board consider requiring participation in the EPA's Energy Star program and the Target Finder system to set energy targets for new buildings and major renovations (more than 50% of square footage affected). The Target Finder is an online tool that enables architects and building owners to set energy targets and receive an EPA energy performance score for projects during the design process (See Attachment 3 for program details). The program utilizes energy use targets based on actual building energy consumption data for more than a dozen building types. EPA's Energy Star energy performance scale assigns a score between 1 and 100 for the corresponding energy use intensity for the specified project. Projects that earn a score of 75 or higher are eligible for Designed to Earn the Energy Star certification. A score of 75 means the building performs 35 percent better than typical, comparable buildings and represents the top 25 percent of existing buildings. The Target Finder is a comprehensive look at a building's potential energy use as it takes into account building size, climate, operating hours, number of occupants, computer use, and occupant behavior.

As a policy decision, the Board could choose to require URA projects that include new buildings, or major renovations to meet the Designed to Earn the Energy Star certification. While this requirement would be a major step in bringing energy use and efficiency to the forefront during the design phase, this level of participation does not require that new buildings actually perform at the designed target levels. The Board could choose to require that new buildings achieve the Energy Star label. Closing the loop between the design's intended energy use and the building's actual performance requires the commitment of the owner to earn the Energy Star label after the project *is built and operating. An operating building that earns an EPA rating of 75 or higher for 12 consecutive months of energy bills and receives verification by a professional engineer or registered architect that the building meets indoor environmental standards qualifies to earn the Energy Star label. This step solidifies that the design intent has been translated into the building's actual performance. The following flow chart demonstrates the necessary process to obtain Design to Earn Energy Star versus obtaining and Energy Star label.*



Source: EnergyStar.gov

It is recommended that URA projects that do not include new construction or major renovations (more than 50% of square footage affected) meet the current energy code, except for the building envelope requirements, which could be cost prohibitive. It is also recommended that energy use be monitored through the Energy Star program but not require any target energy performance level. The current code requires energy assessments prior to building alterations with valuations of $30,000 or greater, and requiring energy performance to be monitored will go a long way in bringing awareness of energy use and efficiencies to building owners.

It should be noted that requiring new buildings and major renovations to achieve an Energy Star label will add cost to the design phase of a project. The design phase is considered a soft cost and represents a small percentage of overall project costs. Given the requirements in current building codes, meeting Energy Star label should not add any additional costs to overall hard costs. The advantage of the program is that it is focused on ensuring building systems are designed correctly and appropriately for the intended users, that system commissioning is carried out (currently a code requirement) and that monitoring take place over an extended period of time.

Based on the discussion above, staff is recommending the following URA Policy:

> *All URA projects that include new construction or major renovations of existing buildings (more than 50% of square footage affected) shall be required to meet the Energy Star label. Such projects shall be required to design buildings in such a manner as to be eligible for Designed to Earn the Energy Star (DEES) certification. Once buildings are completed, the energy use shall be monitored for 12 consecutive months to demonstrate the operating building earns an EPA rating of 75 or higher in Portfolio Manager and verification shall be received by a professional engineer or registered architect that the building meets indoor environmental standards and qualifies to earn the Energy Star label.*
>
> *Additionally, all URA projects that include renovations that affect less than 50% of existing square footage shall be required to meet the current energy code, except for the building envelope requirements, and energy use shall be monitored through the*

Energy Star program for 12-consecutive months in an effort to raise energy use awareness.

Deconstruction/Construction Waste Recycling Requirements

With the adoption of the green building amendments, all new construction is required to submit a construction waste recycling plan with the intent of diverting construction waste from the landfill. The program focuses on the materials in which the City has capacity to receive, which includes wood, metal, concrete, and cardboard. The current program does not apply to alterations.

The requirement for a construction waste recycling plan addresses the waste material generated during the construction process, but does not address materials associated with the demolition of existing structures. As articulated in both City Plan and the Fort Collins Climate Action Plan, the City of Fort Collins established a goal to divert 50% of the community waste from landfills. As redevelopment occurs through the City of Fort Collins, a significant amount of material from demolished structures can be diverted from the landfills by ensuring structures are deconstructed, as opposed to demolished.

Deconstruction is the process of systematically dismantling a structure in an environmentally, economically and socially responsible manner, aiming to maximize the recovery of materials for reuse and recycling. Deconstruction is commonly separated into two categories; "non-structural" and "structural". Non-structural deconstruction, also known as "soft-stripping", consists of reclaiming non-structural components including appliances, doors, windows, and finish or trim materials. Structural deconstruction involves dismantling the structural components of a building; removing the entire building down to or including the foundation.

Deconstruction, as a process, is more time consuming than standard demolition, and is generally more expensive. However, many of the additional costs associated with deconstruction can be reduced when taking into account reduced disposal costs, avoided purchases of new materials (if materials are re-used on site), revenue earned from material sales and potential tax incentives. Tax benefits can be obtained when materials are donated to a 501(c)(3), such as ReSource Fort Collins.

Therefore, staff is recommending that all URA funded projects demonstrate that at least 50% of the waste materials by weight (excluding waste containing lead, asbestos or other hazardous material) generated by a construction or demolition project be diverted from the landfill through waste management options, such as reuse or recycling.

Approval Process of Administrative Procedures

The URA Administrative Procedures, which were most recently revised in October, 2012, have historically been approved by a URA Board Resolution. The Administrative Procedures were adopted as part of the Policies and Procedures, yet they serve a very different purpose. The Administrative Procedures are intended to provide both minimum procedural requirements for URA applicants and an operating framework for staff to implement the Policy and Procedures established by the URA Board.

In an effort to allow staff the ability and flexibility to respond quickly to issues that arise when implementing the URA Policies, it is recommended that the Board delegate the authority to approve

Administrative Procedures to the Executive Director. Any revisions to the Administrative Procedures will be presented to the URA Board.

October 2012 URA Board Recommended Amendments

During the October 23, 2012 URA Board meeting in which the Policy and Procedures were adopted, the Board requested staff to look at several sections and recommend possible language changes. The amendments, which are included within the attached redlined version of the policies, address the following policy sections:

Section 2- Objectives

- *Presence of Floodplain language*

Section 4 – Evaluation Criteria
- *Financial Feasibility of Projects language*

Section 4 – Public Benefit
- *Affordable Housing as Public Benefit language.*

FINANCIAL / ECONOMIC IMPACTS

The requirement for participation in the Energy Star program, as well as the required deconstruction/recycling of waste material may result in some additional costs to URA projects. While the additional costs may be eligible for reimbursement by tax increment financing, the additional costs could impact the financial feasibility of certain projects. Tax increment financing represents gap financing, meaning financing that covers the gap between a financially feasible project and non-financially feasible project. When Code requirements add costs to a project, in essence the gap becomes larger. This becomes a policy decision related to trade-offs for URA financing. As more of the tax increment is necessary to offset costs associated with Code requirements, less of the increment will be available for other improvements, such as required public infrastructure, that also contribute to the gap.

ENVIRONMENTAL IMPACTS

Ultimately, the benefit will be positive to the environment as each project will increase the level of quality and sustainability of all publicly funded URA projects. Benefits will include reduced energy use, increased diversion from the landfill and subsequently a lower carbon impact.

PUBLIC OUTREACH

Given the relatively short period of time between the February work session and the Resolution adoption date, there has been less public outreach than is typical of similar policy changes. The following outreach effort shave been made:

- *URA Board Worksession - February 28 (Attachment 4)*
- *Presentation to the Fort Collins Area Chamber of Commerce Local Legislative Affairs Committee – March 22*

- *Presentation to the Air Quality Advisory Board - March 18*
- *Agenda Item Summary provided to the Natural Resources Advisory Board and the Energy Board*
- *Copies of proposed amendments sent to the North Fort Collins Business Association and the South Fort Collins Business Association. "*

Bruce Hendee, Chief Sustainability Officer, introduced the item as the next step in the development of URA policies and procedures.

Tom Leeson, Redevelopment Program Manager, stated staff has arrived at the green building recommendation for URA projects to fall under the guidelines of the Environmental Protection Agency's Energy Star program, and its associated target finder system. He detailed the requirements for the program. Leeson stated the second aspect of the Resolution looks at deconstruction and recycling requirements for URA projects and establishes a threshold for landfill diversion.

Hendee reviewed the positive components of the Energy Star program and stated there are some boards and commissions which have not yet been able to give a recommendation on this item.

Ross Cunniff, 2267 Clydesdale, commended the environmental accountability found in the plan and requested the maximum public benefit from URA projects. He questioned the urgency of the need for this change.

Ray Martinez, 4121 Stoneridge Court, questioned the urgency of the need for this change and suggested a more thorough public outreach process be completed prior to adoption of new policies.

Eric Sutherland, 3520 Golden Currant, supported the changes to the policies and went on to discuss his perceived problems with the URA and its existing policies and procedures.

Luke McFetridge, South Fort Collins Business Association President, encouraged additional public outreach be completed prior to adoption of new policies.

Ron Lautzenheiser, North and South Fort Collins Business Association, suggested adoption of new policies should be slowed down and further vetted.

Chair Weitkunat asked if deconstruction is impossible on some buildings. Leeson replied some buildings may have too many hazardous materials to achieve an effective deconstruction; however, deconstruction is generally an option.

Boardmember Troxell asked if these items would apply to entire projects, despite the fact that the TIF funding may be going to infrastructure such as streets. Leeson replied the policies are currently written to apply to entire projects.

Boardmember Troxell asked if these requirements would be a part of the scorecard for projects. Leeson replied it would technically be, as it would be included within the evaluation criteria.

Boardmember Troxell suggested additional feedback should be sought, though he commended the track the policies are on.

Mayor Weitkunat asked if exceptions were considered, particularly in cases where the TIF funding is going to public improvements rather than the project per se. Leeson replied there has not been discussion about that; however, that is certainly up for discussion.

Vice-Chair Ohlson noted new construction projects would only be subject to the energy component. Leeson replied the recycling policies also apply to construction waste in addition to demolition.

Boardmember Troxell made a motion, seconded by Boardmember Kottwitz, to continue the item to a later date pending additional public outreach and testing against existing projects.

Vice-Chair Ohlson disagreed that this has been a rushed process and stated the policies have been considerably weakened. He opposed the City's overall view of public outreach in terms of outreach to business interests versus outreach to environmental interests. He stated the process should be more consistent.

City Manager Atteberry stated he believed the public outreach process included many differing viewpoints; however, he noted he is committed to work further on the process with the new Council.

Boardmember Manvel noted the mission of the URA involves sustainable development, and this is a small step toward that end. He stated the issue deserves a vote rather than postponement.

Boardmember Poppaw stated she would not support the motion to postpone.

Boardmember Kottwitz supported postponement of the item and stated the URA has worked hard at improving outreach. She expressed appreciation for staff work on the item.

Boardmember Horak stated public outreach has been inconsistent as it is not a documented, systematic process; however, staff is working on development of such a process. He stated he would support the motion to postpone the item, but hoped it would ultimately pass with the new Council.

Chair Weitkunat stated it is important to get the policies and direction of the URA right moving forward.

Boardmember Horak asked about the date for taking up the issue again. City Manager replied staff has considered May 21 as a possible date.

The vote on the motion to postpone consideration was as follows: Yeas: Weitkunat, Kottwitz, Horak and Troxell. Nays: Ohlson, Poppaw, and Manvel.

THE MOTION CARRIED.

Adjournment

The meeting adjourned at 9:57 p.m.

____
Chair

ATTEST:

____
Secretary