

AGENDA ITEM SUMMARY

April 15, 2014

Urban Renewal Authority Board

STAFF

Wanda Nelson, City Clerk

SUBJECT

Consideration and Approval of the Minutes from the March 4, 2014 Urban Renewal Authority Board Meeting.

EXECUTIVE SUMMARY

The purpose of this item is to approve the minutes from the March 4, 2014 Urban Renewal Authority meeting.

ATTACHMENTS

1. March 4, 2014 URA minutes (PDF)

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Urban Renewal Authority

A meeting of the Fort Collins Urban Renewal Authority was held on Tuesday March 4, 2014, at 6:15 p.m., in the Council Chambers of the City of Fort Collins City Hall. Roll Call was answered by the following Boardmembers: Campana, Cunniff, Horak, Overbeck, Poppaw, Troxell and Weitkunat.

Staff Members Present: Atteberry, Nelson, Roy.

Agenda Review

Executive Director Atteberry stated there were no changes to the published agenda.

Citizen Participation

Eric Sutherland, 3520 Golden Currant, opposed the interpretation of the Urban Renewal Authority statutes in such a way that prime farmland and other seemingly non-blighted areas could be considered to have urban blight. He stated the interpretation was made by John Duval, Loveland City Attorney.

Citizen Participation Follow-Up

Boardmember Cunniff stated the concerns relating to the URA and URA abuse are part of the legislative policy agenda.

**Consideration and Approval of the January 14, 2014
Urban Renewal Authority minutes, Adopted**

Boardmember Horak made a motion, seconded by Boardmember Poppaw, to approve the minutes of the January 14, 2014 Urban Renewal Authority meeting. Yeas: Campana, Cunniff, Horak, Overbeck, Weitkunat, Poppaw and Troxell. Nays: none.

THE MOTION CARRIED.

City Manager Atteberry commended the work and character of John Duval, who is joining the City Attorney's Office.

**Resolution No. 069
Approving a Redevelopment Agreement Between the Urban Renewal Authority
and Revive Properties LLC for the Revive Project, Defeated**

The following is the staff memorandum for this item.

“EXECUTIVE SUMMARY

The purpose of this item is to review a resolution approving a Redevelopment Agreement between the Fort Collins Urban Renewal Authority and Revive Properties LLC for the Revive Project. Revive Properties is a 89-unit residential housing and live-work project located to the west of North College Avenue on Willox Street in the North College Urban Renewal Plan area. The Developer has requested financial assistance from the Urban Renewal Authority for street improvements, sustainability features, and stormwater detention improvements associated with the project. The project will generate approximately \$1.76 million in total tax increment, and the URA staff is recommending a \$1.27 reimbursement from that increment for eligible costs.

BACKGROUND / DISCUSSION

The Revive project represents a great example of how public-private partnerships can be used to help the community achieve its long-term objectives related to creating great places and reaching the community’s sustainability goals. Revive will be a unique development that utilizes geothermal energy for heating and cooling homes, as well as solar power, in an effort to achieve a Net Zero Capable community. It will be a model development for Larimer County. Additionally, Revive will be a catalyst for redevelopment in the North College Urban Renewal Area by providing much needed moderately priced housing.

*Revive Properties is a new residential development proposed within the North College Urban Renewal Plan area. The Urban Renewal Authority (URA) has received a formal application from Revive Properties, LLC (the Developer) requesting a total of \$1,600,000 in financial assistance, however, URA staff is recommending a reimbursement amount of \$1,270,414 based on the eligible costs associated with the project (See **Attachment 1** for Project narrative).*

In evaluating URA projects, significant consideration is given to the public benefits achieved by the project. Public benefit is measured by the extent to which the project aligns and achieves City policies and remediates blight.

Revive properties supports a number of City Plan policies, including:

- *EH 4.1 - Prioritize Targeted Redevelopment and Infill*
- *LIV 5.1 - Encourage Targeted Redevelopment and Infill*
- *LIV 22.1 - Vary Housing Models and Types*
- *LIV 22.3 - Offer Multi-Family Variation*
- *LIV 22.4 - Orient Buildings to Public Streets*
- *ENV 6.5 - Offer Energy Efficiency Incentives*
- *ENV 20.4 - Develop Public/Private Partnerships (Stormwater Management)*

The North College Infrastructure Funding Plan was created to prioritize key infrastructure in the area (See Attachment 2). The missing portion of Mason Street that Revive Properties will complete is listed as a medium priority in the Plan. Although considered to have lower priority, the stormwater detention pond is an important improvement for the West Side Drainage System

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identified in the Plan. Furthermore, these improvements are listed in the Plan as helping solve for adequate public facility issues and supporting economic development.

Moreover, the blight factors that will be addressed by this project include:

- *Deteriorated site or other public infrastructure - this area lacks an adequate, coordinated drainage system, which this project is making progress to correct.*
- *Inadequate public improvements or utilities - this project contributes 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.*

Details of the project and financial assistance request are described below, and staff is seeking direction from the Finance Committee regarding whether there is support for pursuing a Redevelopment Agreement with the Developer.

Project Description

*Revive Properties is a 89-unit residential housing and live-work project located to the west of North College Avenue on Willox Street in the North College Urban Renewal Plan area. The site is approximately 10 acres and will include 37 town homes, 18 single-family homes, 18 carriage homes, 13 live work units and, 3 condos (see Site Plan, **Attachment 2**). The subject property was previously under development by Merten Homes as Union Place which was awarded \$2.2 million in tax increment financing (TIF) revenues in 2008 under a redevelopment agreement from the URA (**Attachment 3**). The project experienced financial difficulties in late 2011 and was transferred by deed in lieu of foreclosure to Adams Bank & Trust in early 2012.*

The bank subsequently sold the property to Wendells Fertilizer in March of 2012 who then sold the property to Revive Properties in September of 2013 for \$3.64 million. The current developer, Revive Properties, who is entirely owned by Placer Development, requested a redevelopment agreement for \$1.6 million in TIF reimbursements for costs associated with public improvements and sustainability elements included in the current plan.

Between 2008 and 2011, Merten Homes, the Union Place developer, made significant investments into the infrastructure and landscaping of the site that included the partial installation of the geothermal heating system and much of the required roads and sidewalks. Total site and infrastructure investments completed prior to the property being transferred to Adams Bank amounted to approximately \$724,467. A significant portion of these costs can be attributed to Sustainable Improvements including the installation of a geothermal heating system totaling \$370,294. There has also been \$354,173 in General Site Improvements including the majority of the site's roads and sidewalks.

It should be noted that Revive Properties has many of the invoices for the completed work; however, some of the invoices are missing. As a result of this and given the amount of time that has transpired, URA staff has indicated that reimbursement would only be considered for costs yet to be incurred by Revive Properties, with the exception of the Mason Street public improvements and

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the geothermal system. Revive Properties has provided the invoices for that work and URA staff has acknowledged those improvements meet larger community goals and have added extraordinary costs to the project.

Eligible Costs

The URA was created to eliminate blight using tax increment financing (TIF), and has the ability to reimburse a developer for eligible improvements associated with the project. The Developer requests financial assistance for Mason Street public improvements, regional stormwater infrastructure, and significant sustainable strategies all of which are eligible under Colorado Urban Renewal Law. Below is a description of the improvements and Table 1 provides the costs associated with each. It should be noted that the reimbursement request is for site improvements only.

Mason and Willox Street Improvements: Mason Street extends 495 feet to the south from Willox Street. Mason Street is a two-lane collector as shown on the Master Street Plan and the only public street located on the site. It will require a larger right-of-way and also includes more utility infrastructure than what is necessary for a private street. In addition to the right-of-way and utilities, the eastern portion of the site becomes very difficult or cost prohibitive to develop. These factors lead to extraordinary costs that are above and beyond what is necessary for the private development and also decrease the density and future development potential. TIF funds are being requested to cover the costs for the construction of this street. These costs have been incurred.

Landscaping in ROW and Regional Detention Pond: Significant landscaping is planned for the Willox and Mason Street ROW, as well as the regional detention pond, which has been dedicated to the City of Fort Collins. The detention pond will be utilized as both passive and active open space for the neighborhood.

A 2" water tap will be required to irrigate all the public and community green space, as well as the community gardens. The community gardens will also provide healthy food and act as community gathering space. Added site amenities will increase the community experience. The costs associated with these improvements are estimates and have not yet been incurred by Revive Properties.

Sustainable Strategies:

- Renewable Energy: *Geothermal Heating and Cooling - Revive Properties will be the first development to utilize a geothermal system on a community wide basis. While the system is significantly more expensive to install, it will result in significant energy savings to the residents.*
- Permeable Pavers: *There are a significant number of permeable pavers throughout the site, which reduce stormwater runoff and are a more aesthetic surface improvement. This will be a model project for the City to test pervious pavers on a larger scale such as streets and parking areas.*
- LEED Consulting: *CSU's Institute for the Built Environment will evaluate the site for best practices in neighborhood design using LEED-ND (Leadership in Energy and Environmental*

Design - Neighborhood Development).

Table 1: Eligible Cost

<u>Eligible Cost</u>	<u>Amount</u>		
Willcox Street Public Improvements			
Signage & Striping	\$ 8,588		
Subtotal		\$	8,588
Mason Street Improvements			
Dirt	\$ 1,639		
Concrete	\$ 12,645		
Asphalt	\$ 21,522		
Subtotal		\$	35,806
Landscaping & Irrigation Detention Pond			
2" Water Tap	\$ 137,325		
Willcox ROW	\$ 36,405		
Mason ROW	\$ 13,604		
Public park/Detention Pond	\$ 235,727		
Community Gardens	\$ 20,000		
Site Amenities	\$ 9,600		
Monumentation	\$ 20,000		
Maintenance and Warranty	\$ 28,960		
Subtotal		\$	501,621
Sustainable Strategies			
Renewable Energy - Geothermal	\$ 500,295		
Permeable Pavers	\$ 84,204		
Solar Street Lighting	\$ 113,524		
Onsite Recycling Management	\$ 11,376		
LEED Consulting	\$ 15,000		
Subtotal		\$	724,398
Total		\$	1,270,414

Retroactive Reimbursement

The URA staff has recommended a \$1.27 million reimbursement, of which \$490,304.43 are for improvements that have already been completed. The Urban Renewal Authority Policies and Procedures state: “TIF will not be used to retroactively reimburse projects or make payments to cover costs associated with any actions incurred by a development/redevelopment prior to execution of the Redevelopment Agreement, except for eligible hard costs associated with public improvements required of the project as approved by the Board.”

It should be noted that of the \$490K, just under \$36K is for Mason Street improvements, which are clearly public improvements; however, the remainder is for the geothermal system (\$370K) and a portion of the permeable pavers (\$84K). While an important component of the project, the

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sustainable features are not considered a “public improvement required of the project” and would fall outside the URA policy.

The Urban Renewal Authority Policies and Procedures also state: “The Board may, in its discretion, amend or waive sections of this document when determined necessary or appropriate” The URA staff is recommending the Board waive this section of policy document for the following reasons:

- *The sustainable features incorporated into the Revive project are consistent with other community objectives related to sustainability.*
- *According to the EPA, geothermal heat pumps are the most energy efficient, environmentally clean and cost effective system for temperature control.*
- *The intent of the Revive developer is to construct Net Zero Capable residential units, and the geothermal system is a major factor in reaching that goal.*
- *In 2008 City Council adopted new carbon reduction goals for the Fort Collins community, which is to reduce communitywide emissions 20% below 2005 levels by 2020.*
- *The geothermal system and permeable pavers are a major contributor to the extraordinary costs associated with the need for URA assistance.*
- *One of the state objectives of the URA is to: “Promote energy and water efficiencies within buildings and developments.”*

Financial Analysis

The URA is under contract with Economic and Planning Systems (EPS), a consultant firm out of Denver, CO, to conduct third-party financial analyses when TIF is requested. At the cost of the Developer, EPS conducted a financial analysis to understand the financial need and reasonableness of the TIF request.

Tax Increment Generation

The Larimer County Assessor’s Office performed an analysis of the potential tax that will be generated by the project upon completion. Based on this analysis, the County estimates the stabilized value of the property to be \$18.6 million, generating \$135,572 per year in tax over and above the existing taxes collected, which represents the tax increment. Assuming construction in 2014, there are approximately 15 years remaining in the North College Urban Renewal Area available to generate project increment, resulting in a total estimated increment of \$1,762,436 (this assumes a 0% annual growth rate). Revive Properties is requesting \$1,270,414 in TIF from the URA, representing 72% of the total increment. This amount is consistent with the established URA Financial Parameters, which limits the total amount of TIF assistance relative to TIF generation to 75% for improvements which are generally considered enhancements.

It should be noted that the URA financial parameters also limit the percent TIF contribution relative to total project cost to 15%. Revive’s total project cost is \$5.4 million, excluding the vertical construction costs. This puts the percent of TIF relative to project cost at 23%, which is higher than the URA financial parameters. However, if the estimated vertical construction costs are included (\$18,697,200), then the percent TIF relative to total project cost is equal to 7%. URA staff recommends evaluating the project with the vertical construction costs included as that is

what generates the property value, which generates the tax increment.

Financial Returns

EPS conducted an analysis to determine the impact of the URA's participation on the developer's return on investment given the developer's estimated revenue from lot sales. Without financial assistance from the URA, the return is -30%; with the recommended URA assistance, the return is -6.3%. EPS notes that a slight increase in estimated revenues from lots sales results an improved return, although still lower than what a developer or investor would expect for a real estate development project of this size and level of risk.

EPS concludes that the Developer's TIF request is atypical in that Revive Properties request is for the horizontal improvements only, and no pro forma has been provided for the vertical construction. However, on face value, based on the order of magnitude planning level financial data provided, the project meets the "but for" analysis requirement that the TIF funds are needed to make the project financially feasible.

Redevelopment Agreement Terms

The following points are included within the final Redevelopment Agreement:

- *The maximum URA reimbursement is \$1,270,414.*
- *The reimbursement is contingent upon completion 25% of the units (22 units)*
- *The URA shall pay 72% of the increment annually generated by the project on the property and paid during the preceding calendar year.*
- *The URA shall pay the developer a reimbursement until either: 1) the full payment of the reimbursement obligation has been satisfied; or, February 1, 2029*
- *Revive Properties to complete construction of the Public Improvements by June 30, 2015.*
- *25% of the units within the project by December, 2015.*
- *All units will utilize a geothermal heating and cooling system.*
- *All units will utilize solar photovoltaic systems and will incorporate Net Zero Capable design*

Staff Evaluation

Staff is supportive of the financial request for the following reasons:

- *The costs that the Developer is seeking assistance with are eligible public improvements according to Colorado Urban Renewal Law.*
- *The URA's financial assistance fills a financial "gap" in the project.*
- *The Developer's financial return is lower than what a developer or investor would expect for a real estate development project of this size and level of risk, even with the URA assistance.*
- *The Developer is seeking a proportion of total tax increment generated from the project that is consistent with the URA financial parameters and will allow the URA to use the*

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remaining increment for additional North College projects.

FINANCIAL IMPACTS

Currently, the project site generates approximately \$18,932 in annual property tax revenue. After the Developer's approximately \$19 million investment, the site will generate approximately \$135,572 in annual tax increment. Based upon a conservative estimate assuming no appreciation, the site will generate approximately \$1.76 million over the remaining life of the North College Urban Renewal Plan area. The Developer's request for \$1.2 million represents 72% 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 72% of the tax increment generated by the project annually until either: (1) the full payment of the reimbursement obligation has been satisfied; or, (2) February 1, 2029.

ENVIRONMENTAL IMPACTS

The Revive project is designed to be a Net Zero Capable community and will realize significant energy savings relative to a traditional residential subdivision. According to the EPA, geothermal heat pumps are the most energy efficient, environmentally clean and cost effective system for temperature control. Combined with solar photovoltaic systems, Revive will be a model for sustainable development in northern Colorado. Revive Properties, LLC is working with CSU's Institute for the Built Environment and is still evaluating the energy system. It is anticipated the applicant will be able to present the energy savings quantitatively at the March 4 meeting.

BOARD / COMMISSION RECOMMENDATION

*The North College Citizen's Advisory Board reviewed the Revive project and the associated request to the URA for financial assistance on February 6, 2014. The Board unanimously approved the following motion: "The North College Citizens' Advisory Group supports the project and its benefit to the neighborhood, with regard to the rooftops being added to the neighborhood and the overall design of sustainability." Minutes from that meeting are included as **Attachment 5**.*

The Urban Renewal Finance Committee reviewed the Revive project on February 10, 2014. Minutes will be provided under separate cover.

The Economic Advisory Commission reviewed the Revive project on February 18, 2014. Minutes will be provided under separate cover."

Tom Leeson, Redevelopment Program Manager, stated this Resolution authorizes the redevelopment agreement between Revive Properties, LLC and the Fort Collins Urban Renewal Authority. He discussed the City's objectives and goals that are met by this project and reviewed the location and details of the project. Additionally, Leeson reviewed the financial assistance request and costs of the project. He stated the URA staff is recommending a reimbursement of

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\$1.27 million, which represents 72% of the total tax increment collected. He also noted there is still a negative return projected, even with the URA assistance package. He detailed the terms of the redevelopment agreement.

David Hamm, Fort Collins resident, stated detention ponds do not work and suggested the area may violate the Army Corps of Engineers floodplain map.

Mike Pruznick, Fort Collins resident, opposed the financial assistance package and redevelopment agreement. He stated the project does not appear economically viable.

Eric Sutherland, 3520 Golden Currant, stated neither the URA nor the applicant should have any expectation of receipt of monies from the County Treasurer given the way this deal is crafted. He opposed the redevelopment agreement and stated its crafting does not comport with state law.

Chair Weitkunat requested staff address the commentary regarding the detention pond and floodplain. Leeson replied this project went through a full review and the detention pond has been sized as part of a regional detention pond. He noted two additional detention ponds are planned for the east side of College Avenue, as well. The site is currently not within the floodplain and therefore does not need to go through the FEMA floodplain process.

Chair Weitkunat asked about invoices for retroactive reimbursement. Leeson replied the improvements for which staff is recommending retroactive reimbursement have invoices totaling about \$490,000.

Boardmember Campana stated this site was originally awarded \$2.2 million in URA funds, noting none of it was funded at the time. He clarified a portion of what was previously approved is being requested to be reimbursed in this item. He questioned why the URA would support a project that has negative returns with \$1.2 million in assistance. Leeson replied this project is attempting to break even in terms of site improvements; therefore, the analysis does not include any of the vertical improvements. Additionally, he stated the URA holds little risk as it is paying on the tax increment generated by the vertical construction.

Boardmember Campana stated the density on the site could easily be doubled, which would aid in the returns. He stated he had difficulty supporting the item, given the projected negative returns. Leeson suggested the project developer address the Board's concerns.

Susan McFadden, Development Consultant, discussed the process of developing the density and lot layout for the site, stating additional density is not possible.

Boardmember Overbeck asked how many acres were required to be allocated for the detention pond and the Mason Street project. Ms. McFadden replied three acres out of the ten were required to be allocated.

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Boardmember Overbeck asked how many units could have been constructed on those three acres. Ms. McFadden replied it could have been forty-five units and went on to discuss the need for the tax increment financing.

Boardmember Campana stated a project with similar design intentions could occur on the property, but questioned whether this is the appropriate project.

Boardmember Cunniff stated several policies would need to be waived in order to approve this project: the funding of existing improvements, the fact the reimbursement exceeds 15% of the total project cost, and the potential waiver of the 15% because of the value of the public improvements to the overall URA objectives.

Boardmember Cunniff asked if an analysis of the viability of the project without the reimbursements for the existing improvements occurred. He stated that would increase the negative returns from \$350,000 to \$800,000. Leeson replied those numbers are correct.

Boardmember Cunniff commended the creativity of the project but expressed concern regarding a possible precedent being created for reimbursement of existing improvements. He stated the Whereas clause relating to state statute is quite brief and does not answer the questions raised regarding whether financing is required as a component of a TIF award. He requested further clarification on the topic.

Boardmember Troxell asked about the 25% completion figure for beginning reimbursement. Leeson replied staff wanted to ensure that there was at least a significant amount of vertical construction in order to generate the tax increment for the project prior to reimbursement.

Boardmember Troxell requested staff opinion regarding the likelihood the project will meet that figure by the appointed date and become a successful project. Leeson replied staff is of the opinion, given the momentum of the existing single-family housing market and the fact the project is nearly complete for its single-family entitlements, the project will move forward.

Boardmember Troxell noted the single-family aspects are essentially making the project viable. Leeson agreed and noted the redevelopment agreement is structured so that the project will only receive a maximum of 72% of the generated tax increment.

Boardmember Overbeck made a motion, seconded by Boardmember Troxell, to adopt Resolution No. 069.

Boardmember Poppaw stated she would support the project, given the low risk to the URA and the need for this type of project.

Vice-Chair Horak noted the North College TIF district has 15 years remaining and noted with construction, there are 12 or 13 years left for this project. Leeson agreed and stated any vertical construction completed this year will be reappraised next year and collected in 2016.

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Vice-Chair Horak asked what would occur should this item not get approved. Leeson replied the developer would need to complete a risk analysis as to whether or not to proceed.

Boardmember Campana commended the project but noted its feasibility is dependent upon density and the value of the existing land. He suggested changes could be made to increase the feasibility of the project.

Boardmember Cunniff commended the project but expressed concern regarding its feasibility.

Boardmember Troxell stated he would support the motion as the URA is sufficiently protected and the project is an important one for the area.

Boardmember Overbeck stated he would support the motion as the project fuels the City's sustainability goals and incorporates New Urbanism designs.

Chair Weitkunat commended the project and the ways in which it meets City goals but expressed concern regarding URA policy changes and the project's financial viability.

The vote on the motion was as follows: Yeas: Overbeck, Poppaw and Troxell. Nays: Horak, Weitkunat, Cunniff and Campana.

THE MOTION FAILED.

Other Business

Vice-Chair Horak commended the work of the URA Finance Committee but suggested additional information be presented to the Board as part of the Finance Committee vetting process.

Adjournment

The meeting adjourned at 7:16 p.m.

Chair

ATTEST:

Secretary