

AGENDA ITEM SUMMARY
FORT COLLINS CITY COUNCIL

ITEM NUMBER: 13
DATE: November 29, 2005
STAFF: Chuck Seest
Chip Steiner

SUBJECT

First Reading of Ordinance No. 166, 2005, Authorizing the Transfer of Appropriations Between Capital Improvements Within the Downtown Development Authority Operations and Maintenance Fund Related to the City of Fort Collins, Colorado, Downtown Development Authority Taxable Subordinate Tax Increment Revenue Bonds, Series 2004A.

RECOMMENDATION

The DDA Board of Directors and staff recommend adoption of the Ordinance on First Reading.

FINANCIAL IMPACT

This Ordinance transfers appropriations in the amount of \$800,000 from a cancelled capital improvement to new and existing capital improvements and this transfer does not increase overall DDA appropriations.

EXECUTIVE SUMMARY

The City of Fort Collins created the Downtown Development Authority ("DDA") to make desired improvements in the downtown area. Through tax increment financing, the DDA has made significant contributions to the redevelopment and improvement of the downtown area. This Ordinance authorizes the transfer of unexpended appropriations in the Downtown Development Authority Operations and Maintenance Fund resulting from the cancellation of an improvement identified in Ordinance No. 89, 2004, the 2004 Bond Appropriation Ordinance for the DDA. New improvements have been identified or are in process of being identified and an existing improvement will receive increased funding.

The total of the improvements and associated issuance costs related to the 2004 Bond Appropriation Ordinance was \$6,235,000. The Board of Directors of the DDA (the "Board") reviewed and recommended all of these improvements. The following projects are included:

a. Cortina Mixed Use project	\$1,687,000	
b. Pine Street Lofts	500,000	
c. Mason Street North	280,000	
d. Museum Expansion and Historic Webster House	1,100,000	
e. Information Center	70,000	
f. Old Town Square Renovation	1,000,000	
g. Mason Street Parking Ramp	800,000	(cancelled)
h. Miscellaneous Other Projects	753,000	
i. Cost of Issuance	45,000	
	<u>5,235,000</u>	
	\$6,235,000	

The Mason Street Parking Ramp (\$800,000) has been cancelled. These appropriations will be transferred to new or expanded improvements as noted below:

Old Town Square Renovation	\$200,000 (existing)
Urban Living Lofts	\$350,000 (new improvement)
Miscellaneous Other Projects	\$250,000 (new improvement).

BACKGROUND

All the improvements listed for funding through this Series 2004A Bond Issue have been approved by the Board. All approvals by the Board are made contingent upon City Council appropriation of the necessary funds to fulfill the DDA's commitment to the improvement. With the exception of those projects that are purely public in nature, no DDA expenditures are to be made until the improvements are completed and have received certificates of occupancy from the City. A summary for the improvement being cancelled, the new improvements and expansion of an existing improvement is described below.

CANCELLED IMPROVEMENT:

Mason Street Parking Ramp. The developer of the Cortina mixed-use project had proposed adding a deck to the Mason Street Parking Lot (owned by the DDA). He would have done this entirely at his own expense. However, the proposal had sparked some interest by neighbors in the area to add a third level and thereby double the available public parking. The funding allocation in 2004 bond deal was anticipating that possibility. However, the developer of Cortina found an alternative to address the parking requirements related to the proposal. As a result, DDA participation in a Mason Street Parking Ramp is no longer necessary.

EXISTING & NEW IMPROVEMENTS:

1. **Additional Funding for Old Town Square Renovation.** Old Town Square was built in 1984. It is 20 years old and in need of renovation. The DDA originally proposed to completely revamp the landscaping program so that there will be year-around visual interest, repair broken and dangerous concrete banding, repair ground and overhead lighting, replace all the planter pots, restore and/or replace all the benches and stone seating surfaces, repaint all signage and lighting standards, replace all trash receptacles

repair or replace the flagstone pavers at information kiosks and drinking fountains, repair or replace all bollards, completely clean, seal and re-level the cast decorative pavers that cover most of the plaza.

As reflected above, the DDA originally set aside \$1,000,000 for the above improvements. The contractor's bid for these improvements was approximately \$1,600,000. See attached staff memo. DDA proposes completing a majority of the improvements and is therefore requesting an additional \$200,000 for this project.

2. **Urban Living Lofts.** Urban Living Lofts is located at 210-212 West Magnolia. The proposed building will be four stories and include 18 living units, about 3,000 square feet of commercial space and 7,000 square feet of covered parking. Total project cost is estimated at \$8.9 million. The project fits well into the neighborhood. Brick, hipped roof lines, lots of glass, and balconies are respectful of adjacent homes within the neighborhood. The Board recommended a \$350,000 commitment at its August 4, 2005 meeting. See attached Board minutes and architectural drawing.
3. **Miscellaneous.** The purpose is to fund minor improvements and/or to serve as a contingency for unanticipated costs for approved projects.

SUMMARY

The Board has met to review each of these improvements. For the reasons indicated above, the Board recommends each improvement for funding. The Board, DDA staff and City staff recommend adoption of the ordinance.

ATTACHMENTS

1. Staff Memorandum on Urban Living Lofts to DDA Board
2. Staff Memo on Reallocation of Old Town Square Funds
3. DDA Minutes – August 4, 2005
4. Architectural Rendering of Urban Living Lofts

ORDINANCE NO. 166, 2005
OF THE COUNCIL OF THE CITY OF FORT COLLINS
AUTHORIZING THE TRANSFER OF APPROPRIATIONS BETWEEN CAPITAL
IMPROVEMENTS WITHIN THE DOWNTOWN DEVELOPMENT AUTHORITY
OPERATIONS AND MAINTENANCE FUND RELATED TO THE CITY OF FORT
COLLINS, COLORADO, DOWNTOWN DEVELOPMENT AUTHORITY TAXABLE
SUBORDINATE TAX INCREMENT REVENUE BONDS, SERIES 2004A.

WHEREAS, on April 21, 1981, the City of Fort Collins, Colorado, adopted Ordinance No. 46, 1981, establishing the Fort Collins, Colorado, Downtown Development Authority; and

WHEREAS, the Downtown Development Authority's Plan of Development was approved by the City on September 8, 1981, and established the purpose of the Authority and the types of projects in which the Authority would participate; and

WHEREAS, on June 1, 1982, a special election was held pursuant to Section 31-25-807(b) of the Colorado Revised Statutes approving the issuance by the City of up to \$25,000,000 in tax increment obligations to finance certain projects of the Downtown Development Authority; and

WHEREAS, through the adoption of Ordinance No. 089, 2004, of the Council of the City of Fort Collins, the Council appropriated proceeds from the issuance of the City of Fort Collins, Colorado, Downtown Development Authority Taxable Subordinate Tax Increment Revenue Bonds, Series 2004A (the "Bonds"), for expenditure on certain capital improvements in the amount of \$6,235,000; and

WHEREAS, a certain capital improvement within Ordinance No. 089, 2004, related to the Mason Street Parking Ramp has been cancelled, making available unexpended appropriations for the construction of certain new improvements in the downtown area of the City as follows:

a. Old Town Square Renovation	\$200,000	(existing project)
b. Urban Living Lofts	350,000	
c. Miscellaneous Other Projects	<u>250,000</u>	
	\$800,000	

WHEREAS, Article V, Section 10, of the Charter of the City of Fort Collins authorizes the City Council to transfer by ordinance any unexpended and unencumbered amount or portion thereof from one fund or capital project to another fund or capital project provided that the purpose for which the funds were initially appropriated no longer exists.

WHEREAS, the Board of Directors of the Downtown Development Authority has approved the aforementioned projects.

NOW, THEREFORE, BE IT ORDAINED BY THE COUNCIL OF THE CITY OF FORT COLLINS that the unexpended appropriated amount of EIGHT HUNDRED THOUSAND DOLLARS (\$800,000) is hereby authorized for transfer from the Downtown Development Authority Operations and Maintenance 2004 DDA Bond Projects (Mason Street Ramp Project) and the newly adopted projects, as follows:

a. Old Town Square Renovation	\$200,000	(existing project)
b. Urban Living Lofts	350,000	
c. Miscellaneous Other Projects	<u>250,000</u>	
	\$800,000	

Introduced and considered favorably on first reading and ordered published this 29th day of November, A.D. 2005, and to be presented for final passage on the 20th day of December, A.D. 2005.

Mayor

ATTEST:

City Clerk

Passed and adopted on final reading this 20th day of December, A.D. 2005.

Mayor

ATTEST:

City Clerk

Staff Memorandum on Urban Living Lofts to DDA Board

TO: DDA Board of Directors
FROM: Chip Steiner
DATE: August 2, 2005
RE: Urban Living Lofts

Attached to this memorandum is a request for DDA participation in a project called Urban Living Lofts located at 210-212 West Magnolia and just east of the home of Dave and Paula Edwards.

The proposed building will be four stories and include 18 living units, about 3,000 square feet of commercial space and 7,000 square feet of covered parking. Eight of the parking stalls will include lifts so that two vehicles can fit in the square footage usually allocated to just one vehicle.

Total project cost is estimated at \$8.9 million. The for-sale residential units range in price from \$326,500 to \$785,700 (\$300 - \$450/sf). Office space is valued at \$611,550 (\$225/sf). Annual tax increment estimated by the developers is \$74,050 which would generate \$370,248 over five years. The request to the DDA is for \$425,786 based on the actual projected tax increment, the emphasis on residential, quality construction materials, and energy efficiency.

The project is attractive and fits well into the neighborhood. Brick, hipped roof lines, lots of glass, and balconies are respectful of the design of the Edwards home next door. The parking solution is unique and creative. Importantly, there is little exposed surface parking.

Staff has a few concerns:

1. 1,200 square feet of office space is located in the basement of the building. Will it attract buyers at \$225/sf? Will the County appraise it at that value?
2. The project is expensive. On a square foot basis it is not dissimilar to Cortina. Yet staff does not believe it will be appraised at a similar level.
3. Assuming the project comes on line in 2006, increment will not begin flowing until 2008. Even if the building is valued at 100 percent of the developer's estimates, the gross increment generated over a four-year period would only be about \$296,000.

Staff believes the project's appraised value will be closer to \$6 million. This would generate about \$64,300 annually in tax increment or \$257,300 over four years. Providing a 15 percent allowance for construction quality, residential emphasis, and energy efficiency would suggest DDA participation at \$295,900.

Because of the approaching sunset of the DDA tax increment program, it is becoming increasingly difficult to participate in projects at levels comparable to past years based primarily on the amount of tax increment being generated. Therefore, staff recommends the Board consider using other increment to increase participation in this project to \$350,000.

TO: Honorable Mayor and Members of City Council
FROM: Chip Steiner, DDA Executive Director
DATE: November 22, 2005

RE: Re-allocation of Old Town Square and alley improvement funds

The original appropriation for the renovation of Old Town Square and alley improvements was \$1.8 million with \$1 million for the Square and the remaining \$800,000 for the alleys. The bid came in at around \$2.6 million of which \$960,000 was for the alleys.

The DDA decided to drop the comprehensive renovation of Old Town Square. Rather, it intends to use the funds for the alleys and to make incremental improvements to the Square itself. Incremental work includes replacement of the fountain pumps, replacement of lights, repair low areas in the paving surface, restore and/or replace benches, replace movable planters, repair and clean all sandstone surfaces, replace trash receptacles, and if funding is available, replace the information kiosks.

Re-allocation of the funds will allow the alley work to proceed, provide a contingency for that work (to date two change orders in excess of \$14,000 have been made), and to proceed with incremental improvements to Old Town Square.

DOWNTOWN DEVELOPMENT AUTHORITY
REGULAR DIRECTOR'S MEETING
MINUTES

THE. BOARD OF DIRECTORS OF THE DOWNTOWN DEVELOPMENT AUTHORITY MET IN REGULAR SESSION AT 7,30 A.M. ON AUGUST 4, 2005 IN THE MEETING ROOM AT HOME STATE BANK LOCATED AT 303 EAST MOUNTAIN AVENUE, FORT COLLINS, CO 80524.

BOARD PRESENT: KIM JORDAN, CHAIR, JACK WOLFE, KURT KASTEIN GEORGE BRELIG, BILL SEARS, CARY HEWITT, STEVE TAYLOR, LARRY STROUD, JASON MEADORS

STAFF: ROBERT STEINER, EXECUTIVE DIRECTOR, LUCIA LILEY, COUNSEL, LINDA GULA

GUESTS: DARIN ATTEBERRY, KAREN WEITKUNAT, KAREN GARRITSON, DAVID SHORT.

MR. STEINER REFERRED TO A REQUEST FOR DDA PARTICIPATION IN A PROJECT CALLED URBAN LIVING LOFTS LOCATED AT 210-212 WEST MAGNOLIA. HE STATED THERE ARE 18 RESIDENTIAL UNITS AND A SMALL AMOUNT OFFICE SPACE. ESTIMATED COST OF THE PROJECT IS \$8.9 MILLION. THE DEVELOPERS HAVE PROJECTED \$74,050 IN ANNUAL INCREMENT, ACCUMULATING \$370,248 OVER FIVE YEARS. THE REQUEST TO THE DDA IS FOR \$425,078. HE STATED STAFF IS SUPPORTING THE PROJECT; IT IS ATTRACTIVE, WELL DESIGNED, AND IT INCLUDES MANY ENERGY EFFICIENT FEATURES.

STAFF BELIEVES THE PROJECT'S APPRAISED VALUE WILL BE CLOSER TO \$6 MILLION. THIS WOULD GENERATE ABOUT \$64,300 ANNUALLY IN TAX INCREMENT OR \$257,300 OVER FOUR YEARS. HE WENT ON TO NOTE BECAUSE OF THE APPROACHING SUNSET OF THE DDA TAX INCREMENT PROGRAM, IT IS BECOMING INCREASINGLY DIFFICULT TO PARTICIPATE IN PROJECTS AT LEVELS COMPARABLE TO PAST YEARS BASED PRIMARILY ON THE AMOUNT OF TAX INCREMENT BEING GENERATED. STAFF RECOMMENDS THE BOARD CONSIDER PARTICIPATION IN THIS PROJECT AT \$350,000.

ALAN STROPE AND COREY SEITZ, PROJECT DEVELOPERS, GAVE AN OVERVIEW OF WHAT IS BEING PROPOSED. THEY FOCUSED ATTENTION ON THE HIGH QUALITY MATERIALS AND THE ENERGY SAVING FEATURES. MR. DAVE EDWARDS, THE PROPERTY OWNER AND RESIDENTIAL DWELLER ADJACENT TO THE PROPOSAL, SUPPORTED THE PROJECT. HE STATED THEY WILL BE EXCITED TO HAVE NEW NEIGHBORS AND HE SUPPORTS HIGHER DENSITY RESIDENTIAL. THERE WERE BOARD COMMENTS AND DISCUSSION ABOUT THE ASSESSED VALUE OF THE PROJECT AND THE TAX INCREMENT THAT THE DDA MIGHT RECEIVE FROM THIS PROJECT.

MR. HEWITT MOVED TO COMMIT UP TO \$350,000 TO THIS PROJECT, STATING IT IS COMPATIBLE WITH THE NEIGHBORHOOD, AND IT IS A GOOD QUALITY PROJECT. SECONDED BY MR. WOLF AND PASSED UNANIMOUSLY.

Urban Living Concepts, LLC

Present

URBAN LIVING *Lofts*

ARMAGNOLA STREET



Fort Collins DDA Tax Increment Financing Request

July 15th 2005