

AGENDA ITEM SUMMARY

URBAN RENEWAL AUTHORITY

ITEM NUMBER: 4

DATE: April 4, 2006

STAFF: Joe Frank
Chuck Seest

SUBJECT

Public Hearing and Resolution No. 004 Authorizing the Appropriation of Proceeds from the Issuance of a Loan from the Stormwater Utility of the City of Fort Collins for the Purpose of Making Certain Utility Improvements in the North College Plan Area of the Fort Collins Urban Renewal Authority.

RECOMMENDATION

Staff recommends adoption of the Resolution.

FINANCIAL IMPACT

The Fort Collins Urban Renewal Authority (the "URA") will utilize up to \$150,000 of loan proceeds from the Stormwater Utility to fund utility improvements related to the Valley Steel Project. The URA will pay interest annually at a rate based upon the five year treasury note plus fifty basis points (approximately 5.25%) to the Stormwater Utility using the tax increment revenue generated from the Valley Steel project. The entire loan is expected to be repaid within ten years.

EXECUTIVE SUMMARY

On September 20, 2005, the URA Board approved the use of URA funds to reimburse Valley Steel for an extension of a sanitary sewer line serving its property and several other properties along Hickory Street. The amount of assistance was established at an amount not to exceed \$150,000.

Since the Valley Steel improvement was for utilities infrastructure, staff presented an agenda item to the Water Board (the "Board") on February 23, 2006. The item sought the recommendation of the Board regarding a possible loan from Stormwater Utility Reserves in the amount of \$150,000 for the Valley Steel utility improvement. The Board voted 5-5 on the item. Some Board members agreed the Utilities should be used. Other Board members felt strongly that this action would set a precedent for using the Utilities as a "bank" for activity that was not initiated by the Utilities but was undertaken at the direction of another legal entity, the URA. During the discussion following the vote and seeking a second motion, some dissenting Board members indicated they could support a recommendation if language was inserted stating that this was a one-time action to assist the URA during its inception.

On March 21, 2006, City Council approved the use of prior year reserves in the Stormwater Utility for a loan to the URA for the specific purpose of reimbursing Valley Steel for an extension of a sanitary sewer line serving its property and several other properties along Hickory Street.

The URA Board must also authorize that loan agreement and appropriate the proceeds of the loan to reimburse Valley Steel for the extension of a sanitary sewer line serving its property and several other properties along Hickory Street.

ATTACHMENTS

1. Loan Agreement

LOAN AGREEMENT BETWEEN THE FORT COLLINS URBAN RENEWAL AUTHORITY AND THE CITY OF FORT COLLINS FOR FUNDING PROJECTS IN THE NORTH COLLEGE URBAN RENEWAL PLAN AREA

THIS AGREEMENT, is entered into this _____ day of _____, 2006, by and among THE FORT COLLINS URBAN RENEWAL AUTHORITY, a body politic and corporate (the "URA"), and THE CITY OF FORT COLLINS, COLORADO, a municipal corporation (the "CITY").

WITNESSETH:

WHEREAS, the URA was created on January 5, 1982 to prevent and eliminate conditions related to certain "blight factors" in the community. State law gives the URA broad powers to carry out its statutory mandate. Included are the powers to enter into contracts, borrow funds and acquire property voluntarily or by eminent domain, among others. Urban renewal projects may be financed in a variety of ways. URAs are authorized to borrow money, issue bonds, and accept grants from public or private sources; and

WHEREAS, by Resolution 2004-151, the City Council found and declared the area described therein (the "Area") to be a blighted area as defined in the Colorado Urban Renewal Law, Sections 31-25-101, et seq., C.R.S. (the "Law"), and appropriate for inclusion in an urban renewal project; and

WHEREAS, by Resolution 2004-152, the City Council made findings and approved the urban renewal plan for the North College Avenue Corridor; and

WHEREAS, the primary source of funding for the URA is tax increment revenues generated on the improvements within the Plan Area and those tax increment revenues are received in the year after the improvements are recorded on the Larimer County property tax roll; and

WHEREAS, it is the desire of the City to provide funds to the URA to assist property owners with improvements prior to collecting the tax increment from Larimer County in the subsequent years, and

WHEREAS, the parties desire to enter into this Loan Agreement for the purpose of providing the URA with a loan at the lowest cost possible for a term not to exceed ten years, although it may be paid off earlier without incurring a pre-payment penalty.

NOW, THEREFORE, in consideration of the mutual covenants and promises of the parties as hereafter provided and other good and valuable consideration, the receipt and adequacy of which is hereby acknowledged, the parties agree as follows:

Section 1. Upon the effective date of this Agreement, the City shall loan the URA the sum of ONE HUNDRED AND FIFTY THOUSAND DOLLARS (\$150,000) from the City's Stormwater Utility, with interest to accrue at a rate equal to the ten year Treasury Note plus an additional fifty basis points.

Section 2. All principal and accrued interest shall be due and payable by the URA to the City upon the anniversary of ten (10) years from the effective date of the Agreement provided, however, that the URA may prepay all or any portion of this loan at any time without penalty, with any such prepayment to go first toward any interest which has accrued and the balance of such prepayment to go toward the reduction of principal.

Section 3. The URA agrees to maintain a separate payable line-item within its Accounting system to track the loan amount received from the City's Stormwater Utility.

Section 4. In the event that the URA is able to obtain a reasonable alternative source of funding (for example, a bond from the external capital markets) it agrees to immediately pay off any outstanding balance related to this loan.

Section 5. Notice. Any notice required to be delivered in writing pursuant to this Agreement shall be delivered as follows:

If to the City of Fort Collins:

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

If to the Fort Collins Urban Renewal Authority:

Fort Collins Urban Renewal Authority
Director of Advance Planning
PO Box 580
Fort Collins, CO 80522-0580

Section 6. This Agreement shall be construed according to its fair meaning, and as if prepared by both parties hereto, and constitutes the entire understanding and agreement between the parties hereto pertaining to the matters addressed in this Agreement.

IN WITNESS WHEREOF, the parties have entered into this Agreement the day and year first above written.

FORT COLLINS URBAN RENEWAL AUTHORITY

By: _____
Chair

CITY OF FORT COLLINS, COLORADO,
A municipal corporation

By: _____
City Manager

ATTEST:

City Clerk

Approved as to form:

City Attorney and Attorney for the Fort
Collins Urban Renewal Authority

RESOLUTION NO. 004

OF THE BOARD OF THE FORT COLLINS URBAN RENEWAL AUTHORITY
AUTHORIZING THE APPROPRIATION OF PROCEEDS FROM THE ISSUANCE
OF A LOAN FROM THE STORMWATER UTILITY OF THE CITY OF FORT COLLINS
FOR THE PURPOSE OF MAKING CERTAIN UTILITY IMPROVEMENTS IN THE NORTH
COLLEGE PLAN AREA OF THE FORT COLLINS URBAN RENEWAL AUTHORITY

WHEREAS, on September 20, 2005, the Fort Collins Urban Renewal Authority ("URA") Board approved the use of URA funds to reimburse Valley Steel for an extension of a sanitary sewer line serving its property and several other properties along Hickory Street; and

WHEREAS, the project reimbursement was established at an amount not to exceed \$150,000; and

WHEREAS, on January 24, 2006, the City Council discussed options for financing URA projects because the URA will not have funds to reimburse Valley Steel until the URA begins receiving tax increment revenues in 2007; and

WHEREAS, City staff was directed by City Council to consider the type of public improvement created by the URA project and obtain a loan from the related City fund; and

WHEREAS, on March 21, 2006, staff presented to the City Council two options to reimburse Valley Steel for its improvements to the sanitary sewer system; and

WHEREAS, on March 21, 2006, the City Council approved the use of prior year reserves in the Stormwater Utility for a loan to the URA for the purpose of reimbursing Valley Steel for an extension of a sanitary sewer line serving Valley Steel and other properties along Hickory Street within the North College Urban Renewal Plan Area; and

WHEREAS, staff has prepared a loan agreement in the form shown on that certain "Loan Agreement Between the Fort Collins Urban Renewal Authority and the City of Fort Collins for Funding Projects in the North College Urban Renewal Plan Area" dated April 14, 2006, on file in the office of the City Clerk (the "Loan Agreement"); and

WHEREAS, an urban renewal authority 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.

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

Section 1. That the Loan Agreement is hereby approved by the Board on substantially the same terms and conditions as contained therein, subject to such modifications in form or

substance as the City Manager may, in consultation with the City 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 FIFTY THOUSAND DOLLARS (\$150,000), for reimbursement to Valley Steel for an extension to a sanitary sewer line serving Valley Steel and several other properties along Hickory Street in the North College Plan of the URA.

Passed and adopted at a regular meeting of the Board of Directors of the Fort Collins Urban Renewal Authority this 4th day of April, A.D. 2006.

President

ATTEST:

Secretary