

AGENDA ITEM SUMMARY

October 12, 2018

Urban Renewal Authority Board

STAFF

Josh Birks, Economic Health Director
John Duval, Legal

SUBJECT

Public Hearing and Resolution No. 093 Adopting the 2019 Budget for the Fort Collins Urban Renewal Authority.

EXECUTIVE SUMMARY

The purpose of this item is to adopt the 2019 budget and to appropriate the funds to be spent for the Fort Collins Urban Renewal Authority (URA), comprised of the North College Tax Increment Financing (TIF) District, the Prospect South TIF District, and the Foothills TIF District. The budget revenues include property and sales tax increment, and interest earned on investments for a total of \$5,593,535. Budget expenses include general operations, project obligations and debt service payments, totaling \$5,867,677. The 2019 budget corresponds to the budget that was submitted and approved as part of the Budgeting for Outcomes process for 2019 and 2020. The URA's 2019 annual appropriation is \$5,867,677 including \$300,000 of reserves from the North College District.

STAFF RECOMMENDATION

Staff recommends adoption of the Resolution.

BACKGROUND / DISCUSSION

The Fort Collins Urban Renewal Authority (URA) currently includes three tax increment districts (the Districts) in two plan areas. These districts include:

- **North College** - Formed in 2004, North College TIF District is the first tax increment district in the City. It receives property tax increment revenue only, has an outstanding bond, and several other contractual obligations. The North College TIF District will continue to collect tax increment through 2029.
- **Prospect South** - Formed in 2011, Prospect South TIF District is the first tax increment district in the Midtown Urban Renewal Plan (Midtown URP). It receives property tax increment revenue only, has an outstanding loan from the City, and several other contractual obligations. The South Prospect TIF District will continue to collect tax increment through 2036.
- **Foothills** - Formed in 2013, the Foothills TIF District is the second tax increment district in the Midtown urban renewal plan. It receives both property tax and sales tax increment revenue, which is all pledged to the Foothills Metropolitan District as part of the Foothills Mall redevelopment project. The Foothills TIF District will continue to collect tax increment through 2038.

Revenues

The URA is a separate governmental entity from the City of Fort Collins (City). As such, it relies on revenues generated from property and sales tax increment collections, as well as interest earned on investments, to

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cover its annual expenses and debt payments. Property tax increment is determined by the County Assessor's Office. The Assessor's Office certifies property value and tax collection for the next year in December. The revenues forecast in the 2019 URA Budget rely on the December 2017 certification due to the lag in property valuations.

The budgeted revenues by District are summarized below and in **Table 1**:

- **North College** - The property tax increment budgeted in 2019 is \$1,820,910.
- **Prospect South** - The property tax increment budgeted in 2019 is \$533,434.
- **Foothills** - The increment budgeted is \$2,429,393 of property tax and \$809,798 of sales tax for a total of \$3,239,191.

Table 1
Estimated Revenue, 2019

District	Property Tax	Sales Tax	Investment Interest	Total
North College	\$ 1,799,193	\$ -	\$ 21,717	\$ 1,820,910
Prospect South	\$ 518,118	\$ -	\$ 15,316	\$ 533,434
Foothills	\$ 2,429,393	\$ 809,798	\$ -	\$ 3,239,191
Total	\$ 4,746,704	\$ 809,798	\$ 37,033	\$ 5,593,535

ANNUAL OPERATIONS

The operating expenses of the URA are managed through a subaccount of the North College TIF District. This arrangement is the result of timing, legacy accounting practices, and the City's budget and accounting tools. Despite being labelled in the accounting system as part of North College TIF District the funds are managed separately. Each of the Districts contributes towards the annual operational expenses of the URA. Throughout the year, expenses accrue in the subaccount. At the end of the year, URA staff, along with support from the City's finance department, reconciles each District's contribution to expenses.

Annual Operational expenses are budgeted at \$570,999 in 2019. The increase in operational expenses is primarily due to the increase in staff (added a Redevelopment Manager) and added costs associated with board expansion. Both expenses are the direct result of regulatory changes, specifically those associated with House Bill 1348, that led to the expansion of the board, meaningful, yet time consuming, collaboration with underlying taxing entities, and increased process associated with management of the URA and formation of new plan areas.

Annual expenses include as summarized in **Table 2**:

- **Staffing** - The 2019 URA Budget includes funding for 2.0 full time equivalent (FTE) positions. These FTE are distributed in the following manner: 0.25 FTE Economic Health and Redevelopment Director, 1.0 FTE Redevelopment Manager (new position), and 0.75 FTE Redevelopment Coordinator. The budgeted cost of salaries, wages, and benefits totals \$283,042 in 2019.
- **Board Expenses** - In 2018, the URA board expanded to include representatives from the County, the School Districts, Special Districts, and one council appointed position. As a result, URA Board meetings now occur outside of City Council's normal meeting times and dates. Therefore, the URA must fund costs

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associated with recording the meetings, transcribing minutes, and managing the agenda previously included as part of the preparation and coverage of a City Council meeting. Costs include, Fort Collins TV, Clerk Support, Meeting Meals, and hourly administrative support for a total of \$35,500 budgeted in 2019.

- **Legal Representation** - New to the 2019 URA Budget is a line item for legal representation. This change is a direct result of the board expanding to include four additional members. The budgeted amount for this cost is \$50,923 annually.
- **Consulting Support Services** - Each year the URA budget includes funds for consulting support services to cover a variety of costs ranging from consultant review of a financial pro forma submitted by a developer (typically reimbursed but require advance appropriation) to engineering assistance to evaluate a potential public improvement project. Staff manages these funds judiciously with any unused funds return to the URA balance at the end of the year. The 2019 budget includes approximately \$37,850 in consulting support services.
- **Other Expenses** - The URA also covers incidental costs associated with 2.0 FTE, including phone lines, travel and mileage, and supplies. In addition, the URA has expenses associated with maintaining the website, sponsorships and partnerships, etc. These expenses form the balance of the URA operating budget or \$25,469.
- **Larimer County Administrative Fees** - Larimer County charges all entities receiving property tax an administrative fee. All three Districts pay these fees and the total for all three is budgeted as \$138,215 in 2019.

Table 2
Budgeted Operating Expenses, 2019

Item	Amount
Salaries, Wages, & Benefits	\$ 283,042
Board Support	\$ 35,500
Legal Representation	\$ 50,923
Professional Services	\$ 37,850
Other	\$ 25,469
County Admin Fee	\$ 138,215
Total	\$ 570,999

DEBTS AND OBLIGATIONS

Each year the URA has debt and obligation payments due. These payments are associated with tax increment assistance provided by the URA to various projects. The payments include bond payments (North College and Foothills TIF Districts), redevelopment and/or project agreements, and City loan and shareback payments.

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The obligations vary by District, are fully funded by the tax increment received by each District and summarized in **Table 3**.

North College TIF District Debt/Obligation Payments

The North College TIF District has several outstanding obligations at a total cost of \$1,273,619 in 2019:

- **North College Bond** - Issued in 2013, this bond refinanced several outstanding loans between the URA and the City, which provided the capital used to support several early projects within the District. The annual bond payment is \$944,363 in 2019.
- **City Loan (Innosphere)** - In 2010, the URA borrowed funds from the City to support the development of the Innosphere (formerly known as, the Rocky Mountain Innovation Initiative) building. The annual loan payment is \$273,295 in 2019.
- **Other Developer Obligations** -The URA has aided several projects since issuing the 2013 Bond. These obligations have been structured as annual payments directly to the developer versus one-time up-front payments. As a result, there is a potential total of \$183,211 in developer obligations budgeted in 2019.

Prospect South TIF District Debt/Obligation Payments

The Prospect South TIF District has two primary outstanding obligations at a total cost of \$416,534 in 2019:

- **Prospect Station** - In 2014, the URA aided the Prospect Station project. The assistance was split into two pieces: (a) an upfront lump sum funded by a loan from the City, and (b) a multi-year payment. Together, these commitments support the project. Therefore, each year the URA funds both a loan payment (\$17,459), and a direct project payment (\$11,762) for a total of \$29,221 in payments in 2019.
- **The State (formerly Capstone or The Summit)** - In 2012, the URA borrowed funds from the City to support the development of The State, a multi-story student housing project on the site of a former mobile home park. The terms of the loan include two parts: (a) an annual loan payment, and (b) a shareback agreement with the City in consideration of receiving a discounted interest rate on the City loan. The annual loan payment is \$279,811 and the projected shareback payment is \$107,502 for a total of \$378,313 in 2019.

Foothills TIF District Debt/Obligation Payments

The Foothills District has one outstanding obligation:

- **Pledged Revenue to Foothills Metro District Bond** - In 2013, the URA aided the Foothills Mall redevelopment project by pledging property tax and sales tax increment to the Foothills Metropolitan District. These revenues, combined with other revenue sources (Metro District property taxes and Public Improvement Fee), support the District's bond payment. In 2019, the pledge revenue is \$3,174,675 comprised of \$2,383,925 in property tax increment and \$809,798 in sales tax increment.

**Table 3
Budgeted Debts and Obligations, 2019**

Obligation	Bond or City Loan	Project Cost Or Pledge	City Shareback	Total
North College				
Bond	\$ 948,963	\$ -	\$ -	\$ 948,963
Innosphere	\$ 273,295	\$ -	\$ -	\$ 273,295
Other Obligations	\$ -	\$ 183,211	\$ -	\$ 183,211
Subtotal	\$ 1,222,258	\$ 183,211	\$ -	\$ 1,405,469
Prospect South				
Prospect Station	\$ 17,459	\$ 11,762	\$ -	\$ 29,221
Capstone	\$ 279,811	\$ -	\$ 107,502	\$ 387,313
Subtotal	\$ 297,270	\$ 11,762	\$ 107,502	\$ 416,534
Foothills	\$ -	\$ 3,174,675	\$ -	\$ 3,174,675
Total	\$ 1,519,528	\$ 3,369,648	\$ 107,502	\$ 4,996,678

One-Time Expenditures

In 2019, the URA will contribute \$300,000 towards the design of a storm water system on the west side of College Avenue in the North College TIF District. The storm water system will provide an efficient regional solution to existing storm water challenges inhibiting the development of the area. These costs will be funded from North College TIF District reserves.

FINANCIAL IMPACTS

This Resolution includes an annual appropriation for 2019 of \$5,867,677 for the North College, Prospect South, and Foothills TIF Districts. Any specific appropriations related to URA participation in projects will be presented to the URA Board separately so that the URA funding is approved on a project-by-project basis.

BOARD / COMMISSION RECOMMENDATION

URA staff anticipates providing an annual update to the URA Finance Committee at an upcoming meeting. No other board or commission outreach has been conducted on this item.

PUBLIC OUTREACH

Outreach conducted as part of broader Budgeting for Outcomes process as part of developing the City Manager's recommended budget for 2019/2020.

ATTACHMENTS

1. Powerpoint presentation (PDF)

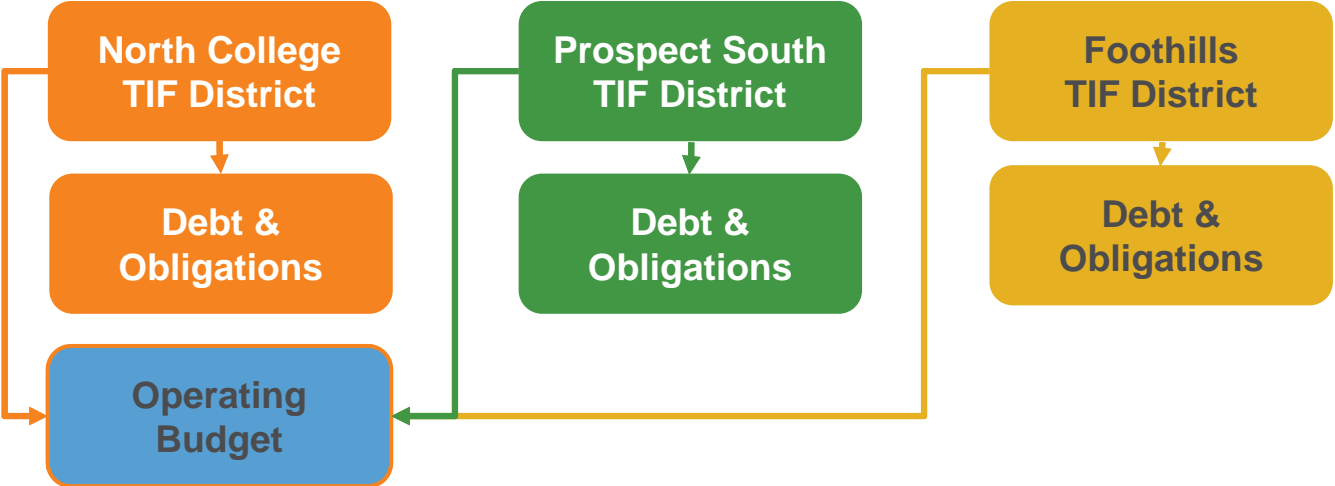


Attachment: Powerpoint presentation (7182 : URA Budget 2019)

- Follows the City's Budgeting for Outcomes process
- Treats URA as City Department
 - Affects treatment of loans
 - Results in negative fund balances
- All Operating Expenses managed through the North College Budget

City of Fort Collins **Budget Mechanisms**

Larimer County – Tax Increment



City of Fort Collins **Revenues**

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Total	\$ 4,746,704	\$ 809,798	\$ 37,033	\$ 5,593,535



Operating Expenses

Item	Amount
Salaries, Wages, & Benefits	\$ 283,042
Board Support	\$ 35,500
Legal Representation	\$ 50,923
Professional Services	\$ 37,850
Other	\$ 25,469
County Admin Fee	\$ 138,215
Total	\$ 570,999

Cost Increases:

- Added Staff
- Board Support
- Legal Services
- County Admin Fees

Attachment: Powerpoint presentation (7182 : URA Budget 2019)



Debts & Obligations: North College

Obligation	Bond or City Loan	Project Cost Or Pledge	City Shareback	Total
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Bond	\$ 948,963	\$ -	\$ -	\$ 948,963
Innosphere	\$ 273,295	\$ -	\$ -	\$ 273,295
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Subtotal	\$ 1,222,258	\$ 183,211	\$ -	\$ 1,405,469



Debts & Obligations: Prospect South

Obligation	Bond or City Loan	Project Cost Or Pledge	City Shareback	Total
Prospect South				
Prospect Station	\$ 17,459	\$ 11,762	\$ -	\$ 29,221
Capstone	\$ 279,811	\$ -	\$ 107,502	\$ 387,313
Subtotal	\$ 297,270	\$ 11,762	\$ 107,502	\$ 416,534

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Debts & Obligations: Combined

Obligation	Bond or City Loan	Project Cost Or Pledge	City Shareback	Total
North College				
Subtotal	\$ 1,222,258	\$ 183,211	\$ -	\$ 1,405,469
Prospect South				
Subtotal	\$ 297,270	\$ 11,762	\$ 107,502	\$ 416,534
Foothills	\$ -	\$ 3,174,675	\$ -	\$ 3,174,675
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One Time Expenditures



- North College Storm Water System Design
- 2019 - \$300,000
- City Contribution: \$667,800

Staff Recommends adoption of the Resolution

1. Staff suggests reviewing the current budget approach & process
 - Share recommendations with the Board regarding changes
2. Staff will update the board on budget and cashflows for each district after the review