

AGENDA

URA Finance Committee

January 9, 2020

3:00 pm – 4:00 pm

1. Minutes October 14, 2019
2. BFO Timeline and Urban Renewal Authority Board Integration
3. Revenue Distribution Drake and College Urban Renewal Plan

Other business:

URA Finance Committee
 Agenda Planning Calendar 2019-2020
 RVSD 1/2/2020 mnb
 Location: CIC Room
 (Agenda Items listed in no particular order)

January 9th	Meeting Time: 3:00pm		
	BFO Timeline and Urban Renewal Authority Board Integration	50min	Clay Frickey
	Revenue distribution Drake and College Urban Renewal Plan	10min	Josh Birks

February 13th	Meeting Time: 3:00pm		
	Prospect South Marriott Hotel	30min	Clay Frickey
	Prospect South URA Policy	30min	Clay Frickey

March 12th	Meeting Time: 3:00pm		
	URA insurance and purchasing power	20min	Josh Birks
	Metro Districts and URA	20min	Josh Birks
	Brinkman Project at Drake and College	10min	Clay Frickey
	King Soopers at Drake and College	10min	Clay Frickey

Future Council Finance Committee Topics:

- Brinkmann Term Sheet
- Projected sales tax revenue Spradley-Barr-Mazda
- North College Albertsons
- North College Engagement Feedback

URA 6-MONTH PLANNING CALENDAR

January 2020 – June2020

Created: 1/2/2020 10:01 AM

CALENDAR SUBJECT TO FREQUENT CHANGES

Email URA Staff for up-to-date information: URABoardInfo@fcgov.com

“The mission of the Urban Renewal Authority is to remedy blight, using Tax Increment Financing, to leverage private capital investment, and stimulate sustainable development and public improvement projects.”

BOARD OF COMMISSIONERS:

Wade Troxell, Chair
Ross Cunniff, Vice Chair
Christophe Febvre
Emily Gorgol
Susan Gutowsky
Steve Johnson

Julie Pignataro
Andy Smith
Kristin Stephens
Ken Summers
Joe Wise

(Items are listed in no particular order)

URA Board Meeting	Selection Committee	Planning & Zoning Board
Plan Area Review Committee	URA Finance Committee	City Council Meeting
Public Open House	City Council Finance Committee	Legal Contract Review Committee

Meeting Info	Agenda Item	The purpose of this item is to...
January 9 Time: 3:00pm Location: CIC	URA Finance Committee	Agenda: Approval of the URA Finance Committee minutes from October 14, 2019
	BFO 2021 Timeline	BFO Timeline and Urban Renewal Authority Board Integration
	Revenue Distribution Drake and College Urban Renewal Plan	Update of revenue share and distribution with Urban Renewal Plan at Drake and College
January 23 Time: 3:00pm Location: CIC	URA Board Meeting	Agenda: Approval of the November 7, 2019 URA Board meeting minutes
January 30 Time: 3:00pm Location: Colorado River Room	URA Board Retreat Follow-up	Agenda: Follow up to URA Board Retreat
February 13 Time: 3:00pm Location: CIC	URA Finance Committee	Agenda: Approval of the January 9, 2020 URA Finance Committee meeting minutes
	Prospect South Marriott Hotel	Discussion of Marriot Hotel Project TIF share at Prospect South
	Prospect South URA Policy	Discussion of URA Policy application at Prospect South

URA Board Meeting	Selection Committee	Planning and Zoning Board
Plan Area Review Committee	URA Finance Committee	City Council Meeting
Public Open House	City Council Finance Committee	URA Legal Contract Review Committee

Meeting Info	Agenda Item	The purpose of this item is to...
February 27 Time: 3:00pm Location CIC	URA Board Meeting	Agenda: Approval of the January 23, 2020 URA Board meeting minutes
	Prospect South Marriott Hotel	Discussion of Marriot Hotel Project TIF share at Prospect South
	Prospect South URA Policy	Discussion of URA Policy application at Prospect South
	Revenue Distribution of Drake and College Urban Renewal Plan	Discussion of revenue share and distribution within Urban Renewal Plan at Drake and College
	Board Role Clarification	Discussion of URA board roles within the URA and the City
	Staff Role Clarification	Discussion of URA staff roles within the URA and the City
March 12 Time: 3:00pm Location: CIC	URA Finance Committee Meeting	Agenda: Approval of the February 13, 2020 URA Finance Committee meeting minutes
	URA Insurance and Purchasing Power	Direction the URA insurance and purchasing power
	Metro Districts and URA	Discussion of Metro District policy within URA plan areas

URA Board Meeting	Selection Committee	Planning and Zoning Board
Plan Area Review Committee	URA Finance Committee	City Council Meeting
Public Open House	City Council Finance Committee	URA Legal Contract Review Committee

Meeting Info	Agenda Item	The purpose of this item is to...
	King Soopers at Drake and College	Discussion of King Soopers project at Drake and College
	Brinkman project at Drake and College	Final redevelopment plan for Spradley Barr project at Drake and College
March 26 Time: 3:00pm Location: CIC	URA Board Meeting	Agenda: Approval of the February 27, 2020 URA Board meeting minutes
	Brinkman project at Drake and College	Final redevelopment plan for Spradley Barr project at Drake and College
	King Soopers at Drake and College	Discussion of King Soopers project at Drake and College
	URA insurance and Purchasing Power	Direction on URA insurance and purchasing power
	Metro Districts and URA	Discussion of Metro Districts policy within the URA plan areas
April 9 Time: 3:00pm Location: CIC	URA Finance Committee Meeting	Agenda: Approval of the March 12, 2020 URA Finance Committee meeting minutes
	URA Purchasing Policies	Recommendation on URA Purchasing Policies

URA Board Meeting	Selection Committee	Planning and Zoning Board
Plan Area Review Committee	URA Finance Committee	City Council Meeting
Public Open House	City Council Finance Committee	URA Legal Contract Review Committee

Meeting Info	Agenda Item	The purpose of this item is to...
	North College Business Engagement	Update on North College Business Engagement and potential partnerships with URA
	2021 URA BFO Preliminary Budget	Update on 2021 URA preliminary budget offers
April 23 Time: 3:00pm Location: CIC	URA Board Meeting	Agenda: Approval of the March 26, 2020 URA Board meeting minutes
	URA Purchasing Policies	Adoption of revised URA purchasing policies
	North College Long Term Plan	Update on IBE engagement and North College Long Term Redevelopment Plan
	North College Business Engagement	Update on North College Business Engagement and potential partnerships with the URA
	2021 URA BFO preliminary budget	Update on 2021 URA preliminary budget offers
May 14 Time: 3:00pm Location: CIC	URA Finance Committee Meeting	Agenda: Approval of the April 9, 2020 URA Finance Committee meeting minutes
	URA IGA with the City	Discussion of URA IGA with the City

URA Board Meeting	Selection Committee	Planning and Zoning Board
Plan Area Review Committee	URA Finance Committee	City Council Meeting
Public Open House	City Council Finance Committee	URA Legal Contract Review Committee

Meeting Info	Agenda Item	The purpose of this item is to...
	Mulberry Corridor Update	Update on Mulberry Corridor Plan, future annexation and alignment with URA strategic objectives
	Human Services Campus	Update on Human Services campus community engagement work and relation to North College Plan Area
May 28 Time: 3:00pm Location: CIC	URA Board Meeting	Agenda: Approval of the April 23, 2020 URA Board meeting minutes
	Mulberry Corridor Update	Update on Mulberry Corridor Plan, future annexation and alignment with URA strategic objectives
	URA IGA with City	Adoption of revised IGA between URA and City
	Human Services Campus	Update on Human Services Campus community engagement work and relation to North College Plan Area

UNSCHEDULED OR UPCOMING ITEMS

Item	Purpose of Item
URA IGA and City King Soopers Project Prospect & College Project (S. Prospect) Prospect South URA Policy Watermark Proposal – 501 Spaulding URA Mission, Vision, Values	Update URA IGA with the City Discuss possible TIF participation in a private development project Discuss possible TIF participation in a private development project Discussion of URA Policy application at Prospect South Watermark proposal in North College Discuss URA Mission, Vision, Values

URA Board Meeting	Selection Committee	Planning and Zoning Board
Plan Area Review Committee	URA Finance Committee	City Council Meeting
Public Open House	City Council Finance Committee	URA Legal Contract Review Committee

**URA Finance Committee Meeting Minutes
10/14/19
2Pm - 3pm
CIC Room – City Hall**

URA Committee Attendees: Jeff Mihelich, Christophe Febvre, Joe Wise, Ross Cunniff, Wade Troxell, Ken Summers

Staff: Jeff Mihelich, Clay Frickey, Jennifer Shagin

Others: Caitlin Quander, Chris Schaefer, Mike Beckstead, Deb Hinsvark, Jacqueline Kozak-Thiel

URA Finance Committee Meeting: 10/14/19
Call the meeting to order: 2:00pm

Item #1: Minutes 9/11/19. Wade Motioned, Febvre seconded, approved 4-0-0. Next URA Finance Committee Meeting October 14, 2019, 2:00pm.

A. NORTH COLLEGE CAG MEETING THE URA FINANCE COMMITTEE

Clay introduced the CAG to the URA finance committee. Three members from the CAG came to meet the URA finance committee and describe their interest in the advisory group for the North College area. Expressed their support and understanding of need for TIF usage and engagement with IBE for the North College Area. Mike Bellow, Chris Schaefer and Jim Eddy active chair of CAG came and introduced themselves to URA Finance Committee.

BACKGROUND/DISCUSSION

Christophe: Does the CAG have a common vision that it operates on?

Jim: We have diverse opinions on projects but try to look at them from a standpoint of advancing community interests. These were developed in concert with the City when the CAG formed, there has since been multiple years of iterations of this since.

Clay: To add to this, we have the North College Urban Renewal Plan that has served as the guiding document in this area and for the CAG.

Christophe: So the City did the visioning here but the URA is implementing it.

Wade: One of the things that is unique about the CAG is that this is our first URA. The way that they have evolved is much narrower and more specific. North College is a large plan area, CAG is really geared towards helping the URA best utilize its resources in this this area.

Jim: It really developed into advocacy and priorities. Our initial list had \$76mm in infrastructure improvements, so our task was how do we leverage what we've got to maximize out benefits.

Wade: One of the things to look at here is how URAs have evolved, the plan areas are much smaller more specific with much more specific projects.

Josh: As part of our strategic plan is an inventory of what's been done and what hasn't with the \$76mm in the North College Area. We would like to finish the plan strong, in all reality the plan area is larger than what we will be able to accomplish in ten years. However, we need to look at what sets ups to carry momentum past the life of the URA the longest. This will create value creation, what improvements will create value over time for everyone in that area.

Jim: We really appreciate the time. Thank you.

B. PROSPECT SOUTH REFINANCE

SUBJECT FOR DISCUSSION

Prospect South Loan Refinance Moral Obligation

EXECUTIVE SUMMARY

In 2013, the City loaned the Fort Collins Urban Renewal Authority ("Authority") \$5 million to reimburse a developer for eligible expenses as part of the Summit development in the Prospect South Tax Increment Financing District. The City has requested the Authority consider refinancing this loan to free up the \$5 million for investing in other community priorities. The Authority may also benefit from refinancing by being able to issue bonds with lower interest rates than the existing loan. As part of this refinance, the Authority is seeking a moral obligation from the City. The moral obligation would result in improved bond ratings and reduced debt service costs to the Authority.

GENERAL DIRECTION SOUGHT AND SPECIFIC QUESTIONS TO BE ANSWERED

Does the Council Finance Committee agree with moving forward with the proposed loan refinance?

What additional information would be useful prior to presenting this item to City Council?

BACKGROUND

The City and Authority have entered into two loan agreements for development projects in the

Prospect South TIF District. What follows is a summary of each loan agreement.

The Summit

On September 6, 2011, City Council established the Prospect South Tax Increment Financing (TIF) District within the Midtown Urban Renewal Plan Area. After the establishment of Prospect South as a TIF district, Capstone Development Corporation sought TIF assistance for The Summit, a 220-unit student housing development. On September 13, 2011, the Authority Board approved a financial agreement where the Authority would reimburse \$5 million of eligible expenses to Capstone. Per the agreement, the \$5 million reimbursement was due upon completion of the project. At the time, staff estimated The Summit would generate \$8 million of tax increment over the life of the project.

When Capstone completed The Summit in 2013 and received a Certificate of Occupancy, Capstone requested reimbursement. The Authority was unable to reimburse Capstone for two reasons:

1. The original estimate of tax increment generation for the Summit was inaccurate. Staff's updated tax increment generation estimate in 2013 showed the Summit should generate \$7 million, not \$8 million as predicted in 2011.
2. Interest rates rose from 4% to 4.96%.

As such, the City and Authority negotiated a loan agreement at that time to reimburse Capstone. The City agreed to loan the Authority \$5 million with a 2.68% interest rate. This interest rate was based on the known revenue stream of the Prospect South TIF District at the time. This left a \$1.78 million interest rate gap. To fill that gap, the Authority agreed to pledge 50% of future unencumbered revenue from the Prospect South TIF District to the City. Both City Council and the Authority Board approved this loan agreement on November 5, 2013.

Prospect Station

In October 2013, the Authority executed a Redevelopment Agreement with Prospect Station LLC. The Redevelopment Agreement obligated the Authority to reimburse the developer up to \$494,000 for eligible expenses. The Agreement required 50% of the reimbursement obligation (\$274,000) to be paid in a single payment upon completion of the project with the remaining 50% paid by the Authority over a 21-year period. Knowing the Authority would not have sufficient funds to make a single payment upon completion of Prospect Station, the City approved Resolution 2013-079 declaring City Council's intent to provide a loan to the Authority for half of the Authority's reimbursement obligation.

Prospect Station received a Certificate of Occupancy in September 2014 and subsequently requested reimbursement. In response, the City and Authority entered into a loan agreement for \$247,000 to fulfill the Authority's Redevelopment Agreement with Prospect Station. The loan has a 23-year term and 4.5% interest rate. The Authority Board approved the loan agreement on November 18, 2014 with City Council approval following on December 16, 2014.

ADDITIONAL BACKGROUND

Finance staff approached Authority staff in the summer of 2019 with the idea of refinancing all outstanding debt for the Prospect South TIF District. Refinancing the loans could allow the City to allocate \$5 million to other priorities. A refinance could also allow the Authority to get a lower interest rate than the effective interest rates for both loans.

To assess the viability of a refinance, the City and Authority contracted with their own bond and finance counsel. The Authority has contracted with Ehlers for their finance counsel and GreenbergTraurig for their bond counsel. Based on the current tax increment projections, the Authority anticipates receiving between a BBB+ and AA- rating for their bond issuance. The attached proforma outlines the differences between BBB+, A, and AA- rated bonds.

The Authority is seeking a moral obligation from the City to receive a more favorable bond rating and interest rate. A moral obligation would likely result in a rating increase from BBB+ to A. The savings between these two ratings is \$165,192 over the life of the loan. The moral obligation will also make it easier for the Authority to sell the bonds in the private market, reducing the time needed to issue and sell the bonds.

NEXT STEPS

The Authority Board will consider the proposed loan refinance at their regular meetings on October 24 and November 7. City Council will consider the moral obligation on November 5. Staff aim to complete the refinance by the end of 2019.

ATTACHMENTS

1. Resolution No. 081, 2011 of Fort Collins City Council Approving the Urban Renewal Plan for the Midtown Area and Establishing a Tax Increment Financing District for Prospect South
2. Financial Agreement Between the Fort Collins Urban Renewal Authority and Capstone Development Corporation for the Commons Project at 1635 S College Avenue
3. 2013 Loan Agreement for The Summit
4. Redevelopment Agreement for Prospect Station
5. Authority Board Approval of Loan Agreement for Prospect Station
6. City Council Approval of Loan Agreement for Prospect Station
7. Proforma for Proposed Loan Refinance

BACKGROUND/DISCUSSION

Josh provided background on loan refinance for Prospect South and Station. It is staff's recommendation to proceed with this refinancing. The URA had borrowed this from the City and staff feels that we should proceed with the refinance, it's an opportunity to be a good partner and get a better interest rate for the URA. We are here to determine if you have enough information, interest in proceeding and if you feel that this is an appropriate decision. The City was a strong partner with this plan area, provided initial capital to get the Summit, now the State, and Prospect Station off the ground. This project led off the creation of the plan area and TIF.

The Summit, which is located north of Spring Creek in the previous mobile home park. The plan was approved in 2011, Capstone the developer took it through 2013 with construction. It became eligible for reimbursements in 2013 but the URA didn't have the \$5mm cash on hand to make those reimbursements. In turn, the URA turned to its partner the City who had previously agreed to be a funder through a loan agreement, this was approved by City Council in 2013. Over the course of several years the loan has been taken down through reimbursements between the URA and the City. All performance requirements set forth by Capstone have been met.

Prospect Station is similar to this, half the assistance is paid overtime, the other half was paid as up-front lump sum payment. The redevelopment agreement was approved in 2013, they then sought reimbursement in 2014, the URA then borrowed this money from the City. Overtime the URA stopped doing upfront payments and more payments overtimes as reimbursement, in this process we are also getting away from the City acting as the URA banker. We are now in a position where the URA has less of a need for upfront capital funding, is able to attain a favorable rate on its own and the City would like its principal back.

Quick outline of the loan we are looking to refinance: \$5million loan eligible for the Summit, 24-year term, 2.68% interest rate. Because the policy of the City included a higher interest, the City allowed a revenue share agreement for the URA to pay the lower interest rate. We will be paying accrued in full up through 2019. The second is the Water fund loan for Prospect Station, 4.5% interest rate. The URA will be paying off the outstanding interest and revenue share interest in full. In our continued growing and evolving process, the has been to retain separate URA finance and bond council to ensure that we are both headed in the right direction.

Deb: Ehlers has been providing advice to government since 1955, mostly in the mid-west. 2014, Ehlers opened a branch in Colorado. My background is in finance, I have managed for the City and County of Denver debt portfolios, managed portfolios in Kansas, and been the city manager of Steamboat. I understand the City's connection to the URA governance, and the viability of that relationship. I am here to advice on what would be the best financial decision for the URA. When the URA issues debt, it is the URAs debt entirely, there is no obligation from the City. This area is healthy enough to be able to issue its own debt, but when this occurs without a moral obligation it does so with a notch less then it would otherwise. We recommend you refinance right now because these loans are critical to Prospect South and Station to keep them going. The URA is currently paying interest on both of these. Today's low rate are likely between 2.5% and 2.9% for the URA, pending on the rating, in dollar amounts it is roughly a \$790,000 to \$980,000 a savings for the last 18 years of this district.

The rating is a huge factor in this refinancing. The URA should get anywhere between a B- and best-case scenario AA-, here there are less than ten owners that own the properties, this works against you with a loan rate because it concentrates the risk. Some of the strengths of this area is that, the area itself is great, there is a lot of development that is occurring and has been organically coming forward which is exactly what you want to occur. When we look at the

financing, the coverage is 2x meaning that it will likely bring in 2x what is needed to cover the debt service. Additionally, there is a lot of confidence that there's been good oversight with the area, mostly stemming from the City's involvement. The City's moral obligation is that they agree that they would refill the debt service subject to appropriations. Moral obligation is that they will approve it, subject to number of factors, this brings you to a better rating for a lower interest rate. Moral obligations are typically only written to get a better rating on the open bond market. The Timeline, the City had requested is that we do this before the end of the year. This is a tight timeline, the only day we can close it is 12/26, after that they whole market is closed. So far, we are on schedule but it also means that we need to meet with you and see if we can keep moving forward. We will meet with the Council Finance Committee on the 21st then we will do a rating call, we should be able to post a preliminary document on 12/3, then sell the bonds. We are do this with an under writer as long as we have under writer. Caitlin: What day will the URA Board take action on this?

Clay: The 7th

Wade: When does an action need to be taken by URA Board, then when for City Council?

Josh: 11/7 is the URA Board, 11/19 is Council. Summary is that both boards would have made their final decisions by mid-November.

Wade: Is this a resolution for City Council?

Josh: Yes. There will be a single action for both entities, URA Board and Council. We are anticipating just over \$8million dollars. We are talking about what objectives we have for the area, we have 18 years left for this TIF area. We have talked about a number of items but will go into greater detail with the 2020 work plan.

Two thoughts that we would like to leave you with.

1. Refinancing will save the URA money
2. Honors partnerships that the URA has had with the City.

OTHER ITEMS

Clay: I have one other quick item more of an update. I wanted to bring to your attention that we have been doing a series of workshops with IBE in the North College Area and last week the North College Advisory Group (CAG) voted to postpone N. College IBE engagement meetings, with 5 in favor 3 again and 1 abstained, until the moratorium and the homeless service site make their way through the development review process and completes. They are concerned that these items will have too much influence on the engagement meetings.

Wade: How does this relate to the URA timeline?

Clay: The sooner we can have a plan the better, we have ten years left in the URA but ten years goes pretty quick. Staff's perspective is that they would like to continue the engagement, they would like to develop a strategic plan sooner than later. Staff is not as concerned as CAG is on the moratorium or homeless service site having undue influence.

Wade: How binding is the CAG recommendation?

Clay: They are an advisory group; their recommendation will come to the URA Board as an agenda item in October. We will send out a memo

Wade: Will come to the Board as an element of the visioning process or this vote?

Jeff: It's the development of the strategic plan and key part of it is the engagement particularly for hard to reach populations. The workshops were intended to reach these populations

Clay: The memo will go over the purpose of the engagement, the goals of the engagement, timeline and CAG vote. This will bring the Board up to speed and have a productive conversation about it.

Ross: So, the strategic plan is on the agenda not the CAG? Can include information from them in our packets.

Clay: This is what we will do, so that you know what is going on and have background information.

Wade: Are we contracted with IBE? How is this affected?

Clay: It doesn't affect the contract at this point.

Jeff: The URA Board can suspend this but right now we are proceeding as normal.

Wade: I am meeting with a couple of them but didn't fully see the situation and what was going on.

Clay: We will bring a memo explaining the makeup of the CAG, the history of it, the important part is the North College plan points to the CAG, how their governance is structured.

Ross: They are an interest group which is fine. I thought they were council appointed staff?

Clay: We will be looking into this, why they were created, etc...

Ross: Do we have these URA Finance Committee agenda packet posted online? I didn't see it online?

Jennifer: Yes, these are all under the meeting agendas tab on the www.renewfortcollins.com webpage.

Ross: I see it, thank you for that.



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Meeting Adjourned at 2:28pm

URA FINANCE COMMITTEE AGENDA ITEM SUMMARY

Staff: Clay Frickey, Redevelopment Program Manager

Date: January 9, 2020

SUBJECT FOR DISCUSSION Budgeting for Outcomes Timeline and Urban Renewal Authority Board Integration

EXECUTIVE SUMMARY

The City of Fort Collins will begin its biennial budget process in April 2020. This will be the first budget cycle with the expanded Fort Collins Urban Renewal Authority (URA) Board. Staff aims to develop a process to equally engage all Board members for the upcoming Budgeting for Outcomes (BFO) process.

GENERAL DIRECTION SOUGHT AND SPECIFIC QUESTIONS TO BE ANSWERED

Do you have any questions about the general timeline for the 2021-2022 URA budget as presented?

How else can URA staff best engage the Board during the BFO process?

BACKGROUND/DISCUSSION

The City is beginning its biennial budgeting process, Budgeting for Outcomes (BFO), in Spring 2020 for 2021-2022. Historically, the URA has participated in this process as an extension of the City. This was because the URA Board and City Council were one in the same. The upcoming 2021-2022 budget process is the first since the URA Board expanded to 11 members. The standard BFO process presents few opportunities for the URA Board to provide input on the URA's proposed budget prior to Council adoption. This creates a potential inequity amongst the URA Board where City Council members have more influence on the URA's budget during the BFO process.

Staff from the URA and the City's Finance department have developed a proposed timeline to better involve the full URA Board in the BFO process. The idea is to check-in with the URA Board at key milestones in the BFO process. Staff would then incorporate the feedback of the URA Board into their BFO package. To ensure all members of the URA Board have an equal voice in the budgeting process, staff proposes the URA Board adopt the 2021-2022 budget at its regular meeting in October 2020. This is a month in advance of City Council adopting the budget for the City.

