

AGENDA

URA Finance Committee

September 9, 2021

3:00 pm – 4:00 pm

1. Estimate of value process

This meeting will be held digitally via Zoom. To join this meeting, please use the link below:

<https://us02web.zoom.us/j/88211081978?pwd=S2p5b0ZlU2lSRXVMOFUrRFpBa3BVZz09>

Meeting ID: 882 1108 1978

Passcode: 374746

One tap mobile

+13462487799,,88211081978#,,,,*374746# US (Houston)

+16699006833,,88211081978#,,,,*374746# US (San Jose)

Other business:

URA FINANCE COMMITTEE AGENDA ITEM SUMMARY

Staff: Clay Frickey, Redevelopment Program Manager

Date: September 9, 2021

SUBJECT FOR DISCUSSION: Estimate of Value Process

EXECUTIVE SUMMARY

The Authority's application for seeking tax increment assistance requires the applicant to provide an estimate of the assessed value of the project. An estimate of the assessed value of the project allows the Authority to estimate how much increment the project will generate. The Assessor's Office provided this estimate of value in the past to applicants. The Assessor's Office is no longer able to provide this analysis. Staff have developed a process to obtain an accurate estimate of value. Staff proposes the following process for obtaining an estimate of value:

1. Develop scope of work
2. Contract with appraiser
3. Appraiser conducts analysis
4. Appraiser submits report for review
5. Developer uses estimate of value to complete tax increment assistance application

This process yields an accurate estimate of value with more analysis on how the appraiser arrived at this value when compared to the previous process.

GENERAL DIRECTION SOUGHT AND SPECIFIC QUESTIONS TO BE ANSWERED

Does the Finance Committee support staff's proposed process for handling estimates of value moving forward?

What additional information would be helpful for discussion with the Urban Renewal Authority Board?

BACKGROUND/DISCUSSION

Developers must apply for tax increment assistance from the Urban Renewal Authority. The Authority's application for tax increment assistance requires the developer to provide the current assessed value of the property along with an estimate of assessed value of the property upon redevelopment. These two values allow the Authority to estimate the amount of tax increment the project will generate. From this estimate, the Authority is better able to estimate the amount of tax increment the project will generate. This helps the Authority negotiate redevelopment and reimbursement agreements that are financially viable for the Authority.

Historically, the Assessor's Office would provide the developer with an estimate of the assessed value of their property upon redevelopment. Authority staff would put the Assessor's Office and developer into touch and the two parties would communicate directly. The developer would provide the Assessor's Office with their proposed development program and parcel number. In return, the Assessor's Office would provide an estimate of valuation based on the attributes of the development program. Now, the Assessor's Office is unwilling to provide this analysis to developers. Staff discovered this change in the Assessor's policies when King Soopers requested an estimate of value for their redevelopment at College and Drake. This has necessitated a change in how developers provide the Authority with an estimate of assessed value for the tax increment assistance application.

Proposed Process

Staff have piloted a process for estimating the assessed value of properties within Urban Renewal Plan Areas upon redevelopment with King Soopers for their proposed redevelopment in the College and Drake Plan Area. This process entailed the following:

1. **Mutually develop scope of work** – staff and the development team created a scope of work for an appraiser to estimate the assessed value of the property upon redevelopment.
2. **Contract with appraiser** – based on this scope, staff contracted with an appraiser mutually agreed upon between staff and the developer.
3. **Appraiser conducts analysis** – the appraiser conducts their analysis based on commonly used methodologies used to appraise property.
4. **Appraiser submits report for review** – after conducting their analysis, the appraiser submits their report and findings to staff and the development team.
5. **Developer uses estimate of value to complete tax increment assistance application**

Staff found the process to work well while providing many advantages over our previous process. This process provides the following advantages to the Authority:

- This process delivers a report that provides the information the developer needs to fill out the tax increment assistance application while providing the Authority the necessary information to estimate the amount of tax increment the redevelopment will generate.
- The report provides information about the methodology they used to arrive at the estimate of value. The Assessor's Office did not provide this level of analysis in the past.
- This process is iterative and provides staff and the applicant a chance to weigh in on elements of the report and scope prior to commissioning the report.

One disadvantage of this process is the cost associated with the analysis. This analysis costs between \$2,000 and \$5,000 depending on the complexity of the analysis. The Assessor's Office would provide estimates of value with no charge to the Authority or developer. Developers ultimately bear the cost of this analysis similar to the pro forma analysis the Authority requires as part of performing the "but for" analysis for developments seeking tax increment assistance. This process also does not provide the same level of assurance as receiving an estimate of value from the Assessor's Office. For the pilot of this process, the appraiser used similar appraisal methods to what the Assessor's Office would use to best approximate the kind of analysis the Assessor's Office provided to the Authority in the past.

NEXT STEPS

The URA Board will consider this process change at its regular meeting in September. If the Board agrees to this process, staff will utilize this process for future tax increment assistance requests. Staff will also ask the Board to consider how the Authority selects an appraiser for conducting future analyses.

Estimate of Value Process



- Change in Assessor's Office policies
- No longer provides estimate of value
 - Required on tax increment assistance application
 - Allows staff to estimate tax increment projects will generate
- Necessitates change in process



Old Process vs. Proposed Process

Old Process



Proposed Process



Advantages and Disadvantages

Advantages

- Authority receives report
- More insight into appraisal methodology
- Iterative process

Disadvantages

- Additional cost
- Less assurance estimate of value accurate

Direction Sought and Questions

1. Does the Finance Committee support staff's proposed process for handling estimates of value moving forward?
2. What additional information would be helpful for discussion with the Urban Renewal Authority Board?

