

# FORT COLLINS URBAN RENEWAL AUTHORITY POLICIES

Revised September 2014

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***“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.”***

## **SECTION 1 – PURPOSE**

The purpose of this document is to provide guidance for the Fort Collins Urban Renewal Authority (URA) staff, recommending bodies, and URA Board (Board) in considering, reviewing and processing applications that seek to use Tax Increment Financing (TIF) for development activities within established TIF Districts. Policies are in accordance with Colorado Urban Renewal Law (C.R.S. § 31-25-101 et seq.) but have been adapted to further the City’s own vision and goals for the URA. The Board may, in its discretion, amend or waive sections of this document when determined necessary or appropriate.

The fundamental purpose for application to the URA for TIF assistance is to facilitate desirable development/redevelopment projects within the URA TIF District that would not otherwise occur “but for” the assistance provided through TIF. The Board intends to provide the minimum amount of TIF assistance needed to make the project viable in order to preserve unencumbered TIF for District-wide public improvements. The provision of financial assistance is at the sole discretion of the Board which shall, in its discretion, reject or approve projects on a case-by-case basis taking into account established policies, specific project criteria, and demands on City services versus potential public benefits received from the proposed project. Meeting policy guidelines and other criteria does not guarantee the award of TIF assistance. Furthermore, approval or denial of one project is not intended to set a precedent for approval or denial of any other project.

## **SECTION 2 - OBJECTIVES**

The URA was established to accomplish the following objectives:

- Eliminate blight.
- Improve public infrastructure (streets, storm drainage, sewer, utilities, etc.) in areas where deficiencies exist.
- Remove impediments to desired development, e.g., lack of infrastructure, environmental contamination, presence of floodplain, and/or unsuitable soils.
- Retain, expand or attract businesses for the purpose of improving the City’s economic base as demonstrated by projects that retain jobs, create primary jobs, increase the manufacturing base, etc.
- Create destination locations, including mixed-use projects, which will capture additional revenue to the area.

- Encourage development projects that enhance the streetscapes and pedestrian experience and improve the vitality of commercial corridors by adding interest and activity.
- Provide a variety of quality housing choices.
- Encourage development that is consistent with *City Plan*, subarea plans, and approved Urban Renewal Plans.
- Promote energy and water efficiencies within buildings and developments.
- Protect natural habitats and features.

## **SECTION 3 – ELIGIBLE COSTS**

The following are eligible costs that may be considered for TIF assistance:

- Removal of hazardous materials or conditions (sites where remediation or mitigation is required).
- Site clearance or site acquisition.
- Land assemblage.
- Parking/structured parking for the public.
- Infrastructure that is extraordinarily costly to the project and/or serves other development and redevelopment facilitating further improvements in the area.
- Sustainable and renewable energy features that reduce the environmental impact of the project.
- Public amenities such as parks, plazas, community gathering areas and streetscapes to enhance the aesthetics of the area.
- Capital Improvement Projects (CIP) as identified by the City of Fort Collins.
- Projects listed in Infrastructure Plans related to the Plan area, e.g., *North College Infrastructure Funding Plan*.
- Other qualifying expenses as permitted by Colorado Revised Statutes (C.R.S.) § 31-25-101 et seq.

## **SECTION 4 – EVALUATION CRITERIA**

The following evaluation criteria will be used to review applications seeking TIF. Since every project is unique, additional evaluation criteria may become necessary and will be determined individually based on the merits of the project.

### **Construction Practices:**

- All URA projects that include new construction or major renovations of existing buildings (more than 50% of square footage affected) shall be required to design buildings in such a manner as to be eligible for Designed to Earn the Energy Star (DEES) certification. Once buildings are completed, the energy use may be monitored for 12 consecutive months to demonstrate the operating building earns an EPA rating of 75 or higher in Portfolio Manager and if verification is received by a professional engineer or registered architect that the building meets indoor environmental standards qualifies to earn the ENERGY STAR label, the project shall be awarded an additional assistance in the amount of 1% of the original Tax Increment Financing.

- All URA projects that include renovations that affect less than 50% of existing square footage shall be required to meet the current energy code, except for the building envelope requirements, and energy use may be monitored through the Energy Star program for 12-consecutive months in an effort to raise energy use awareness.

**Financial feasibility:**

- TIF assistance will not be considered for projects that have the financial feasibility to proceed without TIF assistance, except where exceptional circumstances warrant support for the project.
- Individuals requesting TIF must demonstrate, to the satisfaction of the URA, sufficient equity investment in the project prior to seeking TIF. Equity is defined as cash or un-leveraged value in land or prepaid costs attributable to the project. Examples of equity may include personal cash, letter of credit, personal investment, awarded grant monies, etc.
- Assistance will not be provided solely to increase the developer's profit margin on the project. Prior to consideration of a TIF request, the URA will undertake a financial analysis of the project costs to ensure that the developer's internal rate of return (IRR) is reasonable based on the characteristics of the project.
- For projects that will generate more than \$1 million in TIF or create a project that is more than 10,000 sq. ft. in size there may be an independent financial analysis. The independent analysis will be contracted for by the URA and the cost will be paid for by the applicant. Additionally, if the project is seeking more than 50% of the property tax increment generated from the project, or if the applicant is asking for requesting more than \$150,000 in financial assistance, an independent financial analysis of the project may be required by the URA.

**Public Benefit:**

- A qualitative and/or quantitative analysis should be completed in order to identify the public benefits achieved by the project. Analysis of the benefits of the project will be measured against the expectations set in the relevant plans that may include, but not be limited by, *City Plan* (the City's Comprehensive Plan), an Urban Renewal Plan, a community subarea plan, or an adopted policy, ordinance, or resolution of the City Council.
- Public benefits that garner additional consideration by the URA Board include:
  - Affordable housing projects that exceed the minimum City Land Use Code definition of an "affordable housing project".
  - Projects that have local ownership, which is defined to mean any home location, business, or developer located within a 40 mile radius from the City of Fort Collins Growth Management boundary.
  - Projects that achieve or exceed LEED Silver certification.
  - Projects that include early childhood care and/or education centers.
  - Historic preservation and/or adaptive reuse of historic structures.

- Projects that do not provide sufficient public benefits may, after review, be provided feedback and allowed to submit a revised application. Revisions may lead to approval or final denial of the URA applicant and may include, but are not limited to:
  - Greater developer contribution;
  - Reduced TIF participation; and/or
  - Redefinition of the scope of the project.

## **Section 5 – Other General Policies**

- If substantial URA expense may be involved during screening, reviewing, and/or negotiating, a party requesting assistance from the URA may be asked to pay a deposit in order to fund URA staff or contractual work in advance of the URA incurring significant costs; furthermore, contractual commitments to fund appropriate work or other expenses may be required in advance of, or in connection with, a formal application or other request for assistance.
- The applicant must be able to demonstrate to the Board's satisfaction an ability to construct, operate, and maintain the proposed project based upon past experience, general reputation, and credit history.
- TIF assistance for land/property purchase costs will not be provided in an amount exceeding the fair market value of the property. Fair market value will be determined by an independent appraiser hired by URA staff. The cost of the appraisal will be paid for by the applicant.
- There will be no interest paid on any portion of the applicant's reimbursable expenses.
- TIF will not be used to retroactively reimburse projects or make payments to cover costs associated with any actions incurred by a development/redevelopment prior to execution of the Redevelopment Agreement, except for eligible hard costs associated with public improvements required of the project as approved by the Board.
- For URA funded projects with new buildings, or additions over 2,500 square feet or remodels over 2,500 square feet, a construction waste management plan acceptable to the Building Official that includes recycling of concrete and masonry, wood, metals, and cardboard, is required at time of application for a building permit. The construction waste management plan shall be implemented and conspicuously posted on the construction site. Compliance shall be certified by the hauler through receipts and signed affidavits. Substantive changes to the plan shall be subject to prior approval by the Building Official.
- For URA funded projects, buildings or portions of buildings which are removed shall be processed in such a way as to safely remove all asbestos and lead paint contaminants in accordance with the State of Colorado and Environmental Protection Association (EPA) rules and regulations regarding such materials. All remaining materials such as doors, windows, cabinets, and fixtures, concrete and masonry, wood, metals, and cardboard shall be recycled. Compliance shall be certified by the hauler through receipts and signed affidavits.

## Section 6 – Financial Parameters

### Guiding Principles

- Retaining a percentage of the total tax increment collected guards against the risk associated with rising interest rates, a diminution of assessed value, and other market risks.
- During volatile and/or rising rate environments, consideration will be given to reducing the amount of TIF committed by the URA as a hedge against dramatic rate increases that increase the cost of financing to the URA.

### TIF Parameters

Element	URA Assistance Purpose: <b>Create</b>		URA Assistance Purpose: <b>Enhance</b>	
	Lump Sum Payment	Pay Over Time	Lump Sum Payment	Pay Over Time
Anticipated Max % TIF Commitment Available to Support Project	50%	75%	50%	50%
Possible Max % TIF Commitment Available to Support Project	75%*	90%**	75%*	75%
TIF Payment Calculation	Fixed \$ Commitment	(a) % of Actual Annual Tax Increment collected (b) Fixed Annual \$ Commitment	Fixed \$ Commitment	(a) % of Actual Annual Tax Increment collected (b) Fixed Annual \$ Commitment
URA Cost of Capital	Borrowing Costs: -City Interagency Loan Policy -Bank Loan Underwriting Req. -Other: Section 108 standards	N/A	Borrowing Costs: -City Interagency Loan Policy -Bank Loan Underwriting Req. -Other: Section 108 standards	N/A
Developer Cost Capital	N/A	-Negotiated -Limited by the Max % TIF Commitment Available	N/A	-Negotiated -Limited by the Max % TIF Commitment Available
% TIF Contribution relative to Total Project Cost	25%		15%	

\*Includes borrowing costs

\*\*Max % TIF Commitment on Future Prospect South projects limited to 75%

## General Procedures

- A. The Larimer County Estimate of Value provided to the developer/property owner shall be utilized for estimating future tax increment collections associated with a project. There shall be no annual appreciation applied to the estimate.
- B. Growth Estimate in cash flow analysis will be held at 0%
- C. Cash flows shall be based on absolute dollars and NPV. The discount rate used shall equal the URA cost of capital.
- D. The term of a City loan to the URA shall be based on the estimated TIF stream. The term shall be minimized to the greatest extent possible given the estimated cash flow.
- E. The minimum time to process the request for payment from the development will be 90 calendar days.
- F. In the pay over-time as a Fixed Annual \$ Commitment as described in (b) above:
- G. In the first year if actual TIF comes in lower than the Estimate of Value, the actual TIF reimbursed will be prorated based on the actual TIF received.
- H. In the first year, if actual TIF comes in higher than the Estimate of Value, the TIF reimbursed will be based on the original Estimate of Value calculation.
- I. The actual TIF paid does not grow with inflation. Once established in (b) above, it stays constant. Once established by (a), it can grow to equal (b) but not exceed (b).

## Definitions

- A. Create: When existing conditions on a site make private market rate redevelopment impractical (i.e., environmental contamination or insufficient infrastructure) so providing TIF assistance removes financial barriers and helps to create a project that would not otherwise happen.
- B. Enhance: When conditions on a site are such that the likely market rate redevelopment outcome is not consistent with goals for Targeted Redevelopment and Infill Areas. In these cases, providing TIF assistance changes the scope of a project so that it conforms, or exceeds identified objectives in City Plan.