

**Finance Administration** 

215 N. Mason 2<sup>nd</sup> Floor PO Box 580 Fort Collins, CO 80522

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# AGENDA Council Finance & Audit Committee October 21, 2019 10:00 am - noon CIC Room - City Hall

Approval of Minutes from the August 19, 2019 Council Finance Committee meeting.

1. Development Review Fee Update	30 mins.	T. Leeson N. Currell
2. Revolving Loan Program Review	30 mins.	J. Birks S. Hein
3. Stormwater - Land Acquisition	20 mins.	T. Connor S. Boyle
4. URA Bond Refinancing	20 mins.	T. Storin J. Birks

#### **Council Finance Committee**

## Agenda Planning Calendar 2019 RVSD 10/07/19 mnb

Oct 21st			
	Development Review Fee Update	30 min	T. Leeson N. Currell
	Revolving Loan Program Review	30 min	J. Birks
	Stormwater – Land Acquisition	20 min	T. Connor
	URA Bond Refinancing	20 min	T. Storin J. Birks
Nov. 18 <sup>th</sup> .			
	City Long Term Financial Plan Review	30 min	D. Lenz
	Utility LTFP & CIP – Electric & Stormwater	45 min	L. Smith
	Water – Horsetooth Shutdown	30 min	C. Web M. Kempton
	Sales Tax on Mobile Homes	15 min	J. Poznanovic
Dec. 16 <sup>th</sup>			
	Purchasing Policy Update	30 min	G. Paul
	Development Review Fee Update	30 min	T. Leeson N. Currell
	Housing Catalyst Pilot Waiver/Refund	20 min	S. Beck-Ferkiss
	Utility Off Cycle Budget Items	30 min	L. Smith
Jan 27 <sup>th</sup> .			
	Utility LTFP & CIP – Water and Waste Water	45 min	L. Smith
	Financial Policy Review & Updates	15 min	J. Voss

Future Council Finance Committee Topics:

- Park/Median Design Standards & Maintenance Costs TBD
   Metro District Policy Update TBD early 2020



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## Finance Committee Meeting Minutes 08/19/19 10 am - noon CIC Room - City Hall

Council Attendees: Mayor Wade Troxell, Ross Cunniff, Ken Summers, Emily Gorgol

Staff: Darin Atteberry, Kelly DiMartino, Mike Beckstead, Jeff Mihelich, Travis Storin,

Lawrence Pollack, Jennifer Poznanovic, Kelley Vodden, Jennifer Selenske, Kerri Ishmeal, Renee Callas, John Voss, Sean Carpenter, Terra Sampson, Kim DeVoe, John Duval, Tyler Marr, Dave Lenz, Jo Cech, Katie Ricketts, Zach Mozer, Lance Smith, Joaquin Garbiso, Sue

Beck-Ferkiss, Beth Sowder, Carolyn Koontz

Others: Kevin Jones, Chamber of Commerce

Dale Adamy, R1st.org

Meeting called to order at 10:02 am

Approval of Minutes from the July 15, 2019 Council Finance Committee Meeting. Emily moved for approval of the minutes as presented. Mayor Troxell seconded the motion. Minutes were approved unanimously.

#### A. 2018 Fund Balance Review

Travis Storin, Accounting Director

**SUBJECT FOR DISCUSSION:** Status of Fund Balances and Working Capital

#### **EXECUTIVE SUMMARY:**

The attached presentation gives a status of fund balances and working capital. Fund balances are primarily considered for funding one-time offers during the Budgeting for Outcomes process. To a lesser extent, available monies are also used to fund supplemental appropriations between BFO cycles.

#### GENERAL DIRECTION SOUGHT AND SPECIFIC QUESTIONS TO BE ANSWERED

None, this is an update for Council Finance Committee.

#### **BACKGROUND/DISCUSSION**

To communicate what funding is available to support emerging issues and initiatives in the next budget cycle. In each fund the balances are shown vertically by the accounting classifications. The amounts are then additionally categorized into Appropriated, Available with Constraints, and Available for Nearly Any Purpose.



Appropriated, Minimum Policy or Scheduled is comprised of minimum fund balances established by policy, funds from the 2018 balance that have been appropriated in 2019, funds set aside for 2020 in the 2019-2020 budget, and amounts for projects specifically identified by voters. An example of the later is Community Capital Improvements Plan.

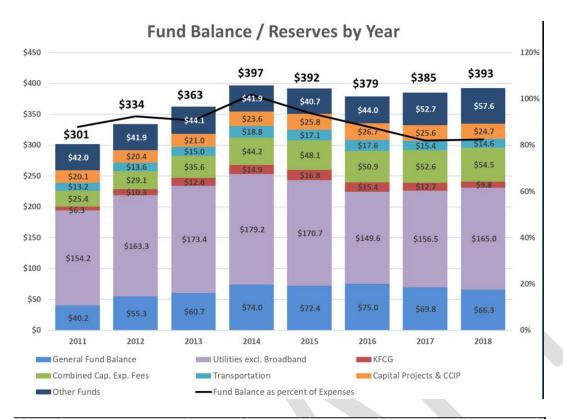
Available with Constraints are those balances available for appropriation but within defined constraints. An example is 4<sup>th</sup> of July donations. They are restricted for that purpose, but still available for appropriation.

Available for Nearly Any Purpose are balances that are available for appropriation at the discretion of the City Council.

#### **DISCUSSION / NEXT STEPS**

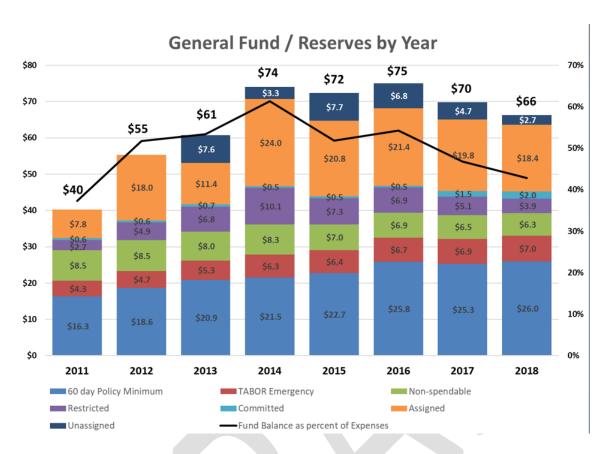
		All	Cit	y Fun	ds					
		2017		2018	Min.	opriated, Policy, or neduled	Available but with some Constraints		Available for Nearly Any Purpose	
General Fund	\$	69.8	\$	66.3	\$	55.2	\$	4.2	\$	6.9
Capital Expansion Fund		17.8		19.5		1.5		18.0		-
Sales & Use Tax Fund		0.7		8.0		8.0		-		-
GID #1 Fund		8.0		0.7		0.1		0.6		-
Keep Fort Collins Great Fund		12.7		9.8		7.4		2.4		-
Community Capital Imprvmt Plan		8.0		12.7		10.0		2.7		-
Neighborhood Parkland Fund		9.7		10.1		6.7		3.4		-
Conservation Trust Fund		3.0		2.3		1.1		1.2		-
Natural Areas Fund		16.8		18.6		12.4		6.2		-
Cultural Services Fund		2.6		2.2		1.3		0.4		0.5
Recreation Fund		2.3		2.5		1.1		1.4		-
Cemeteries Fund		0.7		8.0		0.5		0.3		-
Perpetual Care Fund		1.9		2.0		-		2.0		-
Museum Fund		0.9		0.7		0.2		0.5		_
Transit		4.2		3.4		3.4		_		_
Transportation Capital Expansion		25.1		24.9		9.3		15.6		-
Transportation		15.4		14.6		7.5		-		7.1
Parking Fund		1.8		1.5		0.5		1.0		_
Capital Projects Fund		17.6		12.0		9.3		2.7		-
Golf Fund		0.4		0.7		0.3		0.4		-
Light & Power Fund (excl. Broadband	)	33.5		30.8		22.4		8.4		_
Water Fund		61.6		70.2		39.7		30.5		_
Wastewater Fund		41.4		42.8		20.6		22.2		-
Storm Drainage Fund		17.4		19.5		11.2		8.3		-
Equipment Fund		2.0		3.6		1.8		1.8		-
Self Insurance Fund		1.6		2.7		1.5		1.2		-
Data & Communications Fund		3.7		3.4		1.8		_		1.6
Benefits Fund		9.3		11.7		7.4		4.3		_
Utility Customer Service Fund		2.6		1.7		8.0		0.9		
TOTAL	\$	385.3	\$	392.5	\$	235.8	\$	140.6	\$	16.1





Gene	eral Fund	d - Year E	nd 2018 - \$6	6.3	
	2017	2018	Appropriated, Min. Policy, or Scheduled	Available but with some Constraints	Available for Nearly Any Purpose
Assigned - Minimum 60 day Policy	\$ 25.3	\$ 26.0	\$ 26.0	\$ -	\$ -
Non-spendable					
Advances	4.9	4.7	4.7	-	_
Landbank inventory	1.5	1.5	1.5	-	-
Udall Endowment	0.1	0.1	0.1		
Restricted					
TABOR Emergency	6.9	7.0	7.0	-	-
Police Programs	0.9	0.3	0.2	0.1	-
Donations & Misc	0.9	1.2	0.8	0.4	_
Economic Rebates	2.6	1.7	0.4	1.3	-
DDA/Woodward Debt	0.7	0.7	-	0.7	-
Committed					
Traffic Calming	_	0.2	-	0.2	-
Culture & Recreation	0.2	0.4	0.3	0.1	_
Affordable Housing Land Bank	1.3	1.4	_	1.4	-
Assigned					
Prior Year Purchase Orders	4.3	3.7	3.7	-	-
Manufacturing Use Tax Rebate	0.7	1.2	1.2	_	_
Transit Bus Replacement	0.5	0.5	0.2	-	0.
Golf Irrigation System	0.5	0.5	0.1	_	0.
Revenue Contingency	4.4	2.2	-	_	2.
Camera Radar	0.9	1.1	-	-	1.
Waste Innovation	0.2	0.2	-	-	0.
Reappropriation	1.0	0.3	0.3	-	_
Budgeted use of reserves	7.3	8.7	8.7	-	-
Unassigned	4.8	2.7	-	-	2.
Year End Total	\$ 69.9	\$ 66.3	\$ 55.2	\$ 4.2	\$ 6.9





All City Funds - Broadband will not be on the list until we develop a working capital position.

Ken Summers; where do we stand with reserves that have been used for Council Action in 2019?

Mike Beckstead; a bit of both - very difficult to give a single answer as it varies by fund. For the General Fund in 2018 - we had \$4.8M unassigned GF reserves at the end of 2017 How much we used – not sure but not all of it - we would have to go through the entire budget document and identify where we used reserves

During the year we keep track of the prior years' reserves.

For example, some of the unspent was used for;

\$49K for train horn noise,

\$20K code enforcement of backyard burning / outdoor firepit

Some funds were also used for Short Term Rentals

Ken Summer; General Fund would be the one to keep the closet eye on

Trend line is a percent of annual operating expenses - not all are green dollars we could spend - some nuances in the details – something less than 4-5 months of capacity

Mayor Troxell; \$4.7M loaned to URA - was refinancing that the intention all along?



Mike Beckstead; yes, that was our intention is to refinance soon

Travis Storin; North College set a model for that

Mayor Troxell; good news

Mike Beckstead; our fund balances are healthy - we have gone from mid 50's to high 40's in the last few years - we are working with Moody's because our fund balance is a big part of our credit rating - we want to do some data gathering beyond GFOA around where is the threshold that might put our credit rating at risk?

#### **B.** Comprehensive 2019 Fee Updates

Jennifer, Poznanovic, Revenue Manager Lance Smith, Utilities, Director FP&A

SUBJECT FOR DISCUSSION: Comprehensive 2019 Fee Update

#### **EXECUTIVE SUMMARY**

Coordination of Council approved fees began in 2016 to provide a more holistic view of the total cost impact. Previously, fee updates were presented to Council on an individual basis. After the 2019 fee update, fee phasing will be complete with regular two and four-year cadence updates beginning in 2021.

2019 fee updates include: Electric Capacity fees, Water Supply Requirement fees, Wet Utility Plan Investment Fees and Step III of the 2017 Capital Expansion Fees.

Staff proposes the following fee changes:

- Wet Utility PIFs as proposed
- Electric Capacity Fees as proposed
- Water Supply Requirement Fee as proposed
- 100% of proposed 2017 Capital Expansion Fees (Step III)
- Transportation Capital Expansion Fees (inflation only)

Development Review Fees were initially planned to be part of the 2019 update but have been decoupled and will come forward at a later date.

#### GENERAL DIRECTION SOUGHT AND SPECIFIC QUESTIONS TO BE ANSWERED

Does Council Finance Committee support the following proposed next steps?

- October 8<sup>th</sup>: Council Work Session
- November 5<sup>th</sup> & 19<sup>th</sup>: Ordinance readings subject to Council direction
- 2021 updates effective January 2022

#### **BACKGROUND/DISCUSSION**

Since the fall of October 2016, staff has worked to coordinate the process for updating all new development related fees that require Council approval. Development related fees that are approved by Council are six Capital Expansion Fees, five Utility Fees and Building Development Fees.



Type of Fee	Fee Name
Capital Expansion	Neighborhood Park
Capital Expansion	Community Park
Capital Expansion	Fire
Capital Expansion	Police
Capital Expansion	General Government
Capital Expansion	Transportation
Utility	Water Supply Requirement
Utility	Electric Capacity
Utility	Sewer Plant Investment
Utility	Stormwater Plant Investment
Utility	Water Plant Investment
Building	Development Review, Building
Development	Permit & Engineering Fees

Previously, fee updates were presented to Council on an individual basis. However, it was determined that updates should occur on a regular two and four-year cadence and fees updates should occur together each year to provide a more holistic view of the impact of any fee increases.

Impact fee coordination includes a detailed fee study analysis for Capital Expansion Fees (CEFs), Transportation Capital Expansion Fees (TCEFs) and Development Review Fees every four years. This requires an outside consultant through a request for proposal (RFP) process where data is provided by City staff. Findings by the consultant are also verified by City staff. For Utility Fees, a detailed fee study is planned every two years. These are internal updates by City staff with periodic consultant verification. In the future, impact fee study analysis will be targeted in the odd year before Budgeting for Outcomes (BFO). In years without an update, an inflation adjustment occurs.

	Phas	se 1	Phase 2	Phase 3		
	2016	2017	2018	2019	2020	2021
Capital Expansion Fees		Update	Step II	Step III	\	Update
Transportation CEFs		Update	Step II			Update
Electric Capacity Fees		Update		Update		Update
Water Supply Requirement		Update		Update		Update
Wet Utility Fees			Update	Update		Update
Development Review Fees				Update		Update
Fee Working Group		Acti ve	Active	Active		

Phase I of the fee updates included CEFs, TCEFs, Electric Capacity Fees, and Raw Water/CIL and were adopted in 2017. Phase II included Wet Utility PIFs and step II of CEFs and TCEFs, which were approved in 2018. Development review and building permit fees were originally included in Phase II but were decoupled from the 2018 update.

Due to the concern in the development and building community around fee changes, Council asked for a fee working group to be created to foster a better understanding of fees prior to discussing further fee updates. In August of 2017, the Fee Working Group commenced comprised of a balanced group of stakeholders – citizens,



business-oriented individuals, City staff and a Council liaison. The Fee Working Group met 14 times and was overall supportive of the fee coordination process and proposed fee updates.

The 2019 phase III update includes Electric Capacity fees, Water Supply Requirement fees, Wet Utility Plan Investment Fees and Step III of the 2017 Capital Expansion Fees. After the 2019 fee update, fee phasing will be complete with regular two and four-year cadence updates beginning in 2021.

Development Review Fees were initially planned to be part of the 2019 update but have been decoupled and will come forward at a later date. The 2019 Fee Working Group is focused on Development Review fees only and has met three times as of mid-August. The 2019 Fee Working Group consists of a balanced group of stakeholders — citizens, business-oriented individuals and City staff.

#### 2019 Utility Fee Updates

The proposed changes to Utility Fees for a single-family, residential home include a 1.7% increase to the Electric Capacity Fee (ECF) and increases to the three Wet Utility Fees ranging between 1.5% and 6.7%. The Water Plant Investment Fee (PIF) is proposed to increase 6.7%, the Wastewater PIF is proposed to increase 1.5% and the Stormwater PIF is proposed to increase 3.3% from current fee levels.

The chart below summarizes the proposed Utility Fees for a single-family home, assuming an 8,600 square feet lot and 4 bedrooms:

Utility Fee	Current Charge	2020 Charge	\$ Change	% Change
Electric Capacity Fee	\$1,537	\$1,563	\$ 26	1.7%
Water PIF	\$ 3,826	\$ 4,084	\$ 258	6.7%
Wastewater PIF	\$ 3,537	\$ 3,590	\$ 53	1.5%
Stormwater PIF	\$ 1,548	\$ 1,600	\$ 52	3.3%
Water Supply Requirement	\$11,160	\$13,838	\$ 2,678	24.0%

#### **2019 Capital Expansion Fee Updates**

The chart below shows the current and proposed fee updates for CEFs:



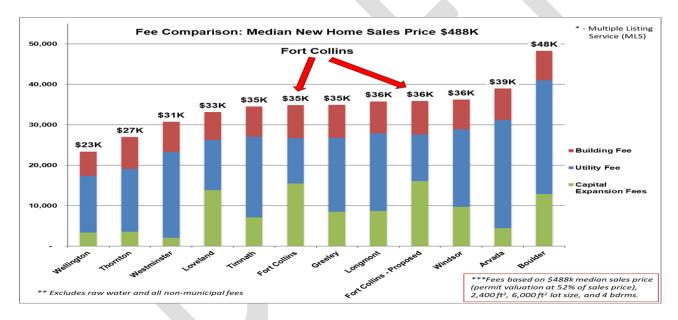
Step III - Full fees proposed in 2017

Land Use Type	Unit	N'hood Park	Comm. Park	Fire	Police	Gen. Gov't	Current Total	Step III Total w Inflation	% Increase w Inflation
Residential, up to 700 sq. ft.	Dwelling	\$1,721	\$2,430	\$421	\$236	\$574	\$5,152	\$5,724	11%
Residential, 701-1,200 sq. ft.	Dwelling	\$2,304	\$3,253	\$570	\$319	\$774	\$6,911	\$7,679	11%
Residential, 1,201-1,700 sq. ft.	Dwelling	\$2,516	\$3,552	\$620	\$347	\$845	\$7,543	\$8,381	11%
Residential, 1,701-2,200 sq. ft.	Dwelling	\$2,542	\$3,589	\$630	\$352	\$858	\$7,630	\$8,478	11%
Residential, over 2,200 sq. ft.	Dwelling	\$2,833	\$4,001	\$701	\$392	\$955	\$8,502	\$9,447	11%
Commercial	1,000 sq. ft.	0	0	\$531	\$297	\$1,451	\$2,182	\$2,424	11%
Office and Other Services		0	0	\$531	\$297	\$1,451	\$2,182	\$2,424	11%
Industrial/Warehouse	1,000 sq. ft.	0	0	\$124	\$69	\$342	\$512	\$569	11%

Step III fees are an 11% increase from current fee levels (Step II). CEF fee increases are 100% of full fee levels recommended in 2017. The CPI-U index for Denver-Aurora-Lakewood is used for CEF inflation (1.3% in 2019).

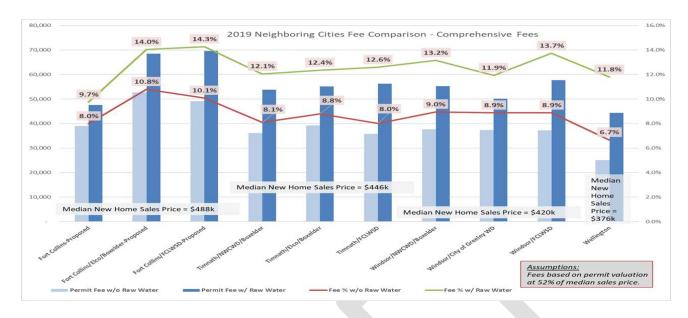
#### **Comparison Charts**

Fort Collins proposed fees are in the upper-middle of the pack:



The following chart shows neighboring cities across water districts with and without raw water. Fort Collins fees are in line with neighboring cities:





Fort Collins fees and the cost of code is leveling as a percentage of median new home sales price:



#### **Community Outreach**

In an effort towards better communication, outreach and notification of impact fee changes, staff met with 9 organizations across the City in the summer of 2019.



Organization	Staff	Status
Affordable Housing Board	All	Complete
Building Review Board	All	Complete
Economic Advisory Commission	All	Complete
Fort Collins Board of Realtors	All	Complete
Local Legislative Affairs Committee	All	Complete
Northern Colorado Homebuilder's Association	All	Complete
Super Issues Forum	All	Complete
Energy Board	Utilities	Complete
Water Board	Utilities	Complete
Downtown Development Authority	Dev. Review	On Hold
Housing Catalyst	Dev. Review	On Hold
North Fort Collins Business Association	Dev. Review	On Hold
Planning & Zoning Board	Dev. Review	On Hold
South Fort Collins Business Association	Dev. Review	On Hold

Overall, organizations were supportive of the approach and cadence. There was acknowledgement that regular fee updates are necessary.

#### Staff also heard:

- Support for fee group recommendations
- Concerns about attainable housing it may be less desirable to live here
- Policy questions on development standards going forward, having alignment on total cost including operations and maintenance

#### Below is the 2019 fee roadmap:

	March	May	June/July	August	October	1/1/2020
Capital Expansion Fees		CFC	Outreach	CFC	Council	Effe ctive
Transportation CEFs						
Electric Capacity Fees		CFC	Outreach	CFC	Council	Effe ctive
Water Supply Requirement		CFC	Outre a ch	CFC	Council	Effe cti ve
Wet Utility Fees		CFC	Outreach	CFC	Council	Effe ctive
<b>Development Review Fees</b>	CFC		Working Group	Working Group		

#### **DISCUSSION / NEXT STEPS:**

Mayor Troxell; slide 7 -Fee Comparison for Median New Homes Sales Price How do we evaluate our peer cities? Adjacent front range such as Severance, Firestone and others in that space.



Mike Beckstead; we could definitely expand this list to included others in the area - Same median home price -we need to understand their fees well enough to know what they pay - that is the methodology behind this.

Darin Atteberry; Severance and Johnstown – benchmark cities have been more of a national market – with fee competitiveness but that is not the market - we want to bring relevant data to Council - not just theoretical

Mike Beckstead; Do they have Impact Fees? If they do, we can certainly add them.

Darin Atteberry; Metro Districts change portfolio

Mayor Troxell; we don't have insight on what to recommend - some communities are not there yet but there is a lot of activity.

Mike Beckstead; before we bring fees back in 2020 we will take a look at who best to compare with how and why and come back with a list.

Emily Gorgol; CEF - types of housing - increase with inflation - how can we somehow encourage smaller houses to be built? -could fees not increased as much for building a smaller home?

Mike Beckstead; page 6 - you can see the different size homes we apply fees to - 90% of our fees are for 2200 sq. ft and above so that is the majority of what is getting built. During the Fee Working Group discussions we talked about expanding to 8 fee categories which will address part of what you are saying. The legal issue we wrestle with is we can't artificially raise one fee and lower another to motivate certain behaviors -fees have to be based on a legal nexus – expand categories and maybe shift the line a little

Darin Atteberry; traffic modeling - family multiple unit less travel in trips than single family - driven by behaviors not footprint - lower trip generation - lower rate

Smaller family size - less trip generation - lower rate

Council Policy - you have different areas where you can affect cost but this is based on the legal nexus

Ken Summers; slide 7 - CEP, impact fees are higher than other surrounding communities - described as being in the middle of the pack - Worth noting that with all of our higher fees - how low Utilities are in comparison to others. Is that a reflection of owning our own electric? The breakdown is interesting.

Mike Beckstead; Timnath uses a Metro District as a revenue source (tax increment financing) for a lot of their infrastructure so they have very low impact fees. Communities are at different stages of development in terms of development fees. Others have crafted different types of revenue sources – there is a story behind the numbers.

Ken Summers; future expansion here based on Metro District - those builders still incur all of those capital expansion fees. I attended a conference last week and we discussed affordable housing - lobby federal government for more money - got into the nuts and bolts and drivers - I agree with Emily - smaller homes. Maybe take a land bank community and dedicate it to smaller homes - 10% of the cost of a house goes to fees - All of the communities could get a better handle on this - affordable housing piece is an issue for every



community nationwide - we all need to take a look at fee waivers - all of us are in the same boat in regards to what it costs to build a house.

Mayor Troxell; under Longmont - big utility gap - counter to Fort Collins and Loveland - they stand out and are part of Platt River

Mike Beckstead; part of that is the favorability we have and the age of our infrastructure and our water rights - Fees go up from \$48K to \$69K - a 40-45% increase because of the utility fees from the authorities not our utilities - you are seeing that in a lot of the sister communities

Emily Gorgol; will the outreach be done before working session?

Jennifer Poznanovic: Yes

Mayor Troxell; I think you are good to go for October

Darin Atteberry; greater segmentation in the market would be good - some of the Northern Colorado communities - a lot of folks driving from / moving to

ACTION ITEM: regarding the discrepancy that Ken pointed out between Utilities and Capital Expansion Fees on slide - go forward but add a separate one pager providing more context for Council. It is an important question that others are going to be asking. This is Phase 3 of the 3 Phase approach that Council came up with - I appreciate that we are back at this point and we are in the 3<sup>rd</sup> phase of ramping up - it feels good that we took the time to do that

Mike Beckstead; This will be the first time for cadence of 2-year review cycle to be in place

#### C. Potential New Revenue Discussion

Mike Beckstead, CFO

**SUBJECT FOR DISCUSSION: 2019 Revenue Priorities** 

#### **EXECUTIVE SUMMARY**

Financial Services coordinates updates to existing council approved fees to provide council and the community a holistic understanding of the cost impact of these changes. Consistent with that focus, staff has assembled the current discussions occurring around needed revenue sources to facilitate a high-level discussion of the organization's revenue needs and priorities.

#### GENERAL DIRECTION SOUGHT AND SPECIFIC QUESTIONS TO BE ANSWERED

Does Council Finance Committee have any concerns with the revenue opportunities under discussion?

Feedback and thoughts on prioritization?





#### **Potential New Revenue:**

- Transit Revenue
- Stormwater Inspection Fee
- Affordable Housing Impact Fee
- Parks & Trails Asset Mgt. Program
- Community Park Refresh

#### Status:

**Assessing per Transit Plan** 

In Development

**Find \$, Conduct Study** 

**Master Plan in process** 

**Master Plan in process** 

#### **DISCUSSION / NEXT STEPS:**

Mike Beckstead; What 2 or 3 revenue sources would be Council Priorities? What might a new fee be to support? Priorities? These would be new fees that would generate new revenue to accomplish something specific.

Darin Atteberry; If Council says Transit is a priority – you either reprioritize to get more money there So that is a Budget for Outcomes conversation

Transit Master Plan - We are through Phase 2 of a 3 Phase plan

We can either reprioritize existing money or create a new fee / revenue stream - might be a redirection of resources or an additional tax. The prioritization conversation is always on the table.

We have in our sights - additional fees or tax -

candidly as a Council priority - if you want to have a big impact on Transit, it will take some additional resources Some say between \$8-16M per year to have a measurable impact - probably won't find that in our existing budget

Ken Summers; we need to take a more strategic and simplistic thinking in terms of our budget.

Basically our sales tax revenue is not keeping up with inflation - something of concern to me when I look at our financials — we are in good financial condition in terms of our reserves — my concern is when I look at the trend line of flat or declining revenue that is not keeping up with inflation and we have expenses are increasing as twice the inflation rate. The higher our taxes go, we basically encourage people to shop somewhere else.

We might have to invest money in areas that are going to bring people to Fort Collins to stay, recreate, shop and dine. We can't just look at it from taxing more or reallocating more resources – thus will require some real trade offs - would have to be more stop doings

Darin Atteberry; our hope – we are not just having one-off conversations - how we are translating the Council priority list. We know we will be doing work in this space as part of the next budget cycle.

Fee to charge to increase supply of affordable housing in Fort Collins. At the time when a developer pulls their fees – they would be charged a new affordable housing impact fee which would help build affordable units - not



necessarily a novel concept – there are many states and cities that are doing this but it would be new to Fort Collins. A couple years ago when we were doing the Foothills Mall study - we chose not to move forward with it But it is certainly a tool that is Council chooses to put Policy or regulatory tool in place - this is one way to do that. We have not made a recommendation whether or not this is the best tool.

Mayor Troxell; Affordable from what perspective - I would encourage a broader perspective.

Darin Atteberry; I think we are talking more about affordable rather than attainable

Jeff Mihelich; we have a Working Session coming on Affordable Housing – the whole strategy - 80% of AMI – we can provide those options to Council

Darin Atteberry; there is alot more to it - Are we going to allow tiny homes? More affordable types of development? Increased density? All of those things need to be at play - the context is much wider

Mayor Troxell; water fees and other districts being more – that goes right to the purchase price of the house If we can moderate that -that is a \$30K potential impact

Jeff Mihelich; possibly bring land bank properties into the mix which could lower some of the fees – go more to cost of service - tighten up fees - a way to layer them all together and set up a matrix - when to apply and when not to

Darin Atteberry; can add \$12 - \$30k per unit which equates to \$90k over a 30-year mortgage. That is why we are having conversations about fees right now.

Emily Gorgol; in response to the prioritization question - An Affordable Housing impact fee is part of the broader affordable and attainable issue - I would prioritize that along with Transit and then parks

Jeff Mihelich; that is in alignment with the Council Priorities

#### **D.2020 Budget Revision Review**

Lawrence Pollack, Budget Director

SUBJECT FOR DISCUSSION: 2020 Budget Revision Recommendations

#### **EXECUTIVE SUMMARY**

The purpose of this agenda item is to familiarize and seek feedback from the Council Finance Committee on the City Manager's recommended revisions to the 2020 Budget before the recommendations are reviewed and discussed at the Council Work Sessions scheduled for September 10<sup>th</sup> and 24<sup>th</sup>. Based on direction from Council, the 2020 Budget Revisions will be combined with the previously adopted 2019-20 Biennial Budget. The 2020 Annual Budget Appropriation Ordinance is scheduled for 1<sup>st</sup> Reading on October 15 & 2<sup>nd</sup> Reading on November 5.

#### GENERAL DIRECTION SOUGHT AND SPECIFIC QUESTIONS TO BE ANSWERED

- What questions or feedback does the Council Finance Committee have on the City Manager's recommended revisions to the 2020 Budget?



- Does the Council Finance Committee support moving forward with bringing the 2020 Budget Revisions to the full City Council for the September 10<sup>th</sup> work session?

### BACKGROUND/DISCUSSION OVERVIEW:

The mid-cycle Revision Process is different from the biennial Budgeting for Outcomes (BFO) process in that:

- 1) There is no broad request for new and innovative Offers. This is because we are operating within the approved 2019-20 Biennial Budget and these revisions should be exceptions based on information not known at the time the budget was adopted in 2018
- 2) Likewise, there is no review by BFO Teams or request for public engagement. However, the Executive Leadership Team and City Manager conducted a comprehensive review to determine which requests should be forwarded on for Council's consideration. Revised revenue projections and available fund reserves were carefully considered when making these recommendations.

The 2020 Budget Revisions include both 1) reductions to 2020 ongoing expenses to align them with a decreased 2020 Sales Tax forecast and 2) additional Offers for Council's consideration based on information that wasn't available at the time the 2019-20 Budget was adopted. The following are key objectives which the 2020 Budget Revision recommendations are intended to address:

- Matching appropriations for ongoing expenditures to current ongoing revenue estimates
- Council priorities
- Fiduciary responsibilities & fund balance requirements
- High-priority projects and other needs not known at the time of the adoption of the 2019-20 Budget

The recommended 2020 Budget Revisions meet these goals. Recommended revisions to the 2020 Budget must also meet one of the following criteria:

- The request is specifically directed by the City Manager or City Council
- The request is related to a previously approved Offer where either revenue shortfalls or unforeseen expenses
  are significantly impacting the delivery of that program or service

On a related note, at the July 23, 2019 City Council work session on the Climate Action Plan update, some Councilmembers expressed interest in considering 2020 Midcycle Revision Offers to support progress on the CAP goals. At the work session, staff noted they are continuing to work on the 2018 community greenhouse gas inventory and forecast to 2020, in light of improved new vehicle composition data staff received in July. By the end of August, staff will be able to provide City Council with an update on the 2018 community carbon inventory and a forecast for the 2020 goal.

The 2020 Mid-cycle Revision Offers developed by staff and brought forward by the Budget Lead Team do not address specific CAP requests, in light of the limited scope of the midcycle revision process and cautious approach regarding future revenue projections. However, once the future greenhouse gas projections are clear, Council may request supplemental appropriations at any time during the rest of 2019 and throughout 2020 necessary to help achieve the City's 2020 Climate Action Plan goals.



**REVENUE:** Overall, most significant City revenues are coming in at, or above, the 2019 budget except for Sales Tax. Although total revenue for 2019 is on track to support 2019 expenses, the 2019 Sales Tax base, upon which 2020 growth is calculated, is now expected to be lower than budget. Based on 2019 YTD sales tax growth of 1.8% and continued talk of a possible recession, the growth of 2020 Sales Tax is now conservatively being estimated at 1.5%, compared to 3.0% in the 2020 Budget.

Thus, it is necessary for the City to reduce ongoing expenses in 2020 to align with the reduced forecast for 2020 Sales Tax revenue. The decreased forecast for Sales Tax revenue primarily impacts the General Fund and Keep Fort Collins Great (KFCG) Fund; but also impacts the funds associated with the three dedicated quarter-cent sales tax initiatives (Street maintenance, Natural Areas and CCIP). The total reduction of anticipated revenue from Sales Tax in 2020 is about \$1.8M, with the General Fund portion being just under \$1.1M.

#### **ONGOING EXPENSE REDUCTIONS:**

There are a few different opportunities to align ongoing expenses to the reduced revenue projections. First, there was interest rate favorability associated with the debt offering for the Police Regional Training Facility and the I-25/Prospect Interchange projects in the amount of \$350k in the General Fund. Second, there is ongoing fuel and maintenance savings within Transfort which will reduce the contribution from the General Fund. Third, significant underspend and rising reserve balances in the Benefits Fund allows for the ongoing expense reduction to departments based on reduced contributions to the Benefits Fund. This third opportunity equates to just over \$1.2M savings in the General Fund.

Additionally, some funds had residual, unused ongoing revenue in 2020 that can be applied to offset expenses. Lastly, 2018 fund balances are available in some funds to offset one-time expenses. These changes to revenue and available reserves are summarized in the table below. The Subtotal of Funding Changes line indicates that all Sales Tax shortfalls are covered and indicates the amount of funding available by fund for the 2020 Revision Requests.

Summary of 2020 Revenue Changes and Available Reserves (values in \$k)

Description	General Fund - Ongoing	Fund -		KFCG	CCIP	Natural Areas	Trans- porta- tion	Storm- water	Self Insur- ance	Broad- band	TOTAL
Summary of Revenue Changes & Reserves											
Reduced 2020 Sales Tax (ongoing)	(\$1,052)			(\$397)	(\$117)	(\$117)	(\$117)				(\$1,800)
Debt service favorability (ongoing)	350										350
Fuel Savings (ongoing)	206										206
Benefits Fund (ongoing)	1,244										1,244
- Unused 2020 Ongoing Revenue - Available Reserves (1-Time, if requested)		2,700	11,100	2,400	2,700	398	15 1,900	8,300	165	197	775 29,100
Less: 2019 Reappropriation (1-Time)		(340)		(28)			(584)				(952)
Less: 2019 Supplemental Approps (1-Time)		(62)					(20)				(82)
Subtotal of Funding Changes	748	2,298	11,100	1,975	2,583	281	1,194	8,300	165	197	28,841

The reserves and revenue above are available to fund the recommended additions to the 2020 Budget. The table below summarizes those proposed additions and Attachment #1 contains the details of those recommended Offers.



#### **Summary of 2020 Recommended Additions:**

#### 2020 Budget Revision Requests - BY FUNDING SOURCE

Fund	Revision Requested	FTE	Ongoing \$	One-Time \$	Total
General Fund	Developing Equity Gaps Analysis, Indicators, and Principles	-	-	120,000	120,000
	East Mulberry Corridor Plan Update and Annexation Assessment	-	-	175,000	175,000
	Park Improvement Project Support	-	-	50,000	50,000
	Train Hom Noise - Federal Lobbying	-	-	42,000	42,000
	Continued Voluntary Compliance Support for Outdoor Residential Wood Burning - 0.25 FTE	0.25	18,638	-	18,638
	Chief Privacy Officer with Records Management Responsibility (start date of 1 Mar 2020)	1.00	93,750	17,962	111,712
	Ongoing Agreements from 2018 Collective Bargaining	5	585,000	-	585,000
	Sales Tax Technician - 1 FTE	1.00	50,585	-	50,585
	Total General Fund	2.25	747,973	404,962	1,152,935
Capital Expansion	New Block 32 Parking Structure Design		-	1,500,000	1,500,000
Fund	Block 32 & 42 Plan Refresh		_	300,000	300,000
(General Government)	Total Capital Expansion Fund	-	\$0	\$1,800,000	\$1,800,000
Self Insurance Fund	Security Specialist - 1.0 FTE (est. start date of 1 March 2020)	1.00	113,400	-	113,400
	Total Self Insurance Fund	1.00	\$113,400	\$0	\$113,400
Stormwater Fund	Northeast College Corridor Outfall A4 (Lemay) Stormwater Lateral Design and Construction	-	-	959,500	959,500
	Total Stormwater Fund	-	\$0	\$959,500	\$959,500
Broadband Fund	Income Qualified Connexion Credits	-	195,000	-	195,000
	Total Broadband Fund	-	\$195,000	\$0	\$195,000
	TOTAL ALL FUNDS	3.25	1,056,373	3,164,462	4,220,835



After netting out the proposed additions fund balances are still strong and well above minimum fund balance requirements.

Summary of Available Reserves and Revenue after Recommended Additions (Values in \$k)

Description	General Fund - Ongoing	General Fund - 1-Time			CCIP	Natural Areas	Trans- porta- tion		Self Insur- ance	Broad- band	TOTAL
Available Revenue and Reserves	748	2,298	11,100	1,975	2,583	281	1,194	8,300	165	197	28,841
2020 Budget Revision Requests Ongoing Requests	(748)								(113)	(195)	(1,056)
One-Time Requests		(405)						(960)	Ì, í	` ′	(3,165)
Total of 2020 Revisions	(748)	(405)	(1,800)	0	0	0	0	(960)	(113)	(195)	(4,221)
Net Impact (positive = available)	\$0	\$1,893	\$9,300	\$1,975	\$2,583	\$281	\$1,194	\$7,340	\$52	\$2	

The 2020 Budget Revisions allow the City to align ongoing expenses with reduced revenue forecasts from Sales Tax. Conversely, the City is also able to fund a small number of additions to the 2020 Budget, which address Council priorities and other capital projects and design work that benefit our community

#### **DISCUSSION / NEXT STEPS:**



#### **Governmental Funds**

- Revenue:
  - 2019 budget included 3% sales tax growth strong 2018 modified to 1.7%
  - YTD net Sales Tax growth is 1.8%
  - Other major revenue streams no concerns

#### Expenses:

- Underspend YTD - no concerns

#### **Enterprise Funds**

No concerns with either revenue or expenses through July 2019

Mike Beckstead; We have a 3% growth rate 2019 / 2018 base assumption for last BFO – we grew stronger in 18 than we thought we would - adjusted the 2019 YOY growth needed to meet budget to 1.7%. Challenge gets to this year we've only grown at 1.8% YTD - is we took out one time events it goes down to 1.6%. We grew at 2.3 and 3.2 in 2017 and 2018 respectively. This is just sales tax – not use tax.

Staff Recommendation to modify 2020 Sales Tax forecast from 3% to 1.5%. That lowers revenue by \$1.8M



\$400K of that is in KFCG - rest from General Fund. Where do we make reductions of \$1.8M?

How we closed the gap;



#### 1. Reduced Debt Service Due to Interest Rate Favorability

- Lower interest on 2019 debt resulted in \$350k debt service favorability
  - Impact: Ongoing savings of \$350k in the General Fund starting in 2019

#### 2. Fuel Savings in Transfort

- 2019 YTD fuel savings of being driven by usage of CNG and diesel fuel lower than forecast
- Adjustment to 2020 of \$206k modified GF transfer to Transit
  - Impact: Ongoing savings of \$206k in the General Fund

#### 3. Benefits - Lower Claims & High Available Fund Balance

- Claims cost \$2.9M under forecast, benefits fund \$4.3M higher than minimum
- Hold flat department or staff premiums avoid 7.5% and 5.0% increase
  - Impact: Reduction across all departments approximately \$3.0M with about \$1.25M in the General Fund

Darin Atteberry; medical claims - you can have bad years and those numbers go crazy and vary. We do have Stop Loss insurance. The higher claims do effect out fund. Our approach to Wellness has been very effective. This is a particularly low year and that is always a good thing as we come to year end there could be something that could impact that.

The overall benefits fund is \$25M + and we watch that closely and we intentionally have drawn it down.



All values in \$k  Description	General Fund - Ongoing		Capital Expan- sion		CCIP	Natural Areas	Trans- porta- tion	Storm- water	Self Insur- ance	Broad- band	TOTAL
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#### **Expenditure Adjustments in Total Balance Expenditures with Revenue**



Reappropriations shown in red address Ken's question

Ross Cunniff; I assume new Council members know many of these funds are not mix and match

Mike Beckstead; yes, the color of money will be covered in our Council on Boarding later this week Confirmed that there is a continency fund of \$2.2M in case it is needed – inflation, etc. which we have not touched.

Mayor Troxell; I am in support of where you are - you have done a great job of delicately teasing out and putting togethe a proposal that makes sense.

#### E. Epic Program – Long Term Financing

Travis Storin, Director Accounting
Sean Carpenter, Lead Specialist, Economic Sustainability

**SUBJECT FOR DISCUSSION:** Epic Homes 15-year Capital Options

#### **EXECUTIVE SUMMARY**

This item will provide an update to Council Finance regarding the Epic Homes 15-year capital options and discussion of each. Topics include:

- Review of capital recruitment process;
- Importance of 15-year capital in achieving desired program outcomes;
- 15-year capital options;
- Banking relationship with the national green bank; and
- Interest rate swap background.

#### GENERAL DIRECTION SOUGHT AND SPECIFIC QUESTIONS TO BE ANSWERED

- Does the Committee support funding a 15-year Epic Loan option?
- Which 15-year capital option does the Committee support?
- Does the Committee support staff analysis of the debt policy and the exception request if the variable-rate, collateralized option is desired?

#### **BACKGROUND/DISCUSSION**

Fort Collins' innovative Epic Homes portfolio supports several community and City Council priorities, including ambitious goals around energy efficiency and renewables, reduced greenhouse gas emissions and increased equity and wellbeing of all residents. Meeting these objectives will require, among other activities, greater numbers of property owners to undertake comprehensive efficiency improvements in the coming years, particularly for older, less-efficient rental properties which make up a large percentage of the City's housing stock. An ongoing and attractive financing structure to support energy efficiency retrofits will be a critical element for success moving forward.

On-Bill Financing (OBF) 1.0 (also known as the Home Efficiency Loan Program or HELP) operated successfully from 2013 through 2016 when the encumbered funds reached the maximum outstanding loan balance of \$1.6M. At that time, Elevations Credit Union was selected through an RFP process to continue HELP for energy



loan financing. Utilities staff qualify the efficiency project based on the rebate measures in the Efficiency Works Home program; however, the loan origination and servicing are independent of Utilities programs. With the implementation of Epic Loans, Elevations loans will continue to be an option for interested customers.

Epic Loans began in August 2018 during the Champions Phase of the *Bloomberg Mayors Challenge*, using the \$100,000 award from the Champions Phase and a \$200,000 grant from the Colorado Energy Office (CEO) to revitalize on-bill financing. Fort Collins is among nine winning cities for the Mayors Challenge, each receiving \$1M to implement their winning idea.

Leveraging external capital is critical to achieving the long-term "revolving loan" vision of Epic Loans and offers a continuing source of funds to meet increasing customer demand for energy efficiency financing. Epic Loans is designed to balance the programmatic objectives and financial requirements of the City, while also meeting the needs and expectations of capital providers and Utilities customers.

#### **Council Finance Meetings Review**

Staff presented to Council Finance in November 2018 regarding the program background and issuing an RFP for third-party capital sources. The City issued RFP #8842 in December 2018 and staff pursued conversations and negotiations with respondents and other potential capital providers.

Staff presented to Council Finance in May 2019 regarding the potential capital sources and next steps for bringing capital agreements to Council. Staff have continued negotiations with potential capital providers (including a locally managed national bank, a regional bank, Colorado Clean Energy Fund, and the CEO) and received Legal and Purchasing review of draft contracts.

Staff presented to Council Finance in July 2019 regarding capital agreement terms. Staff was directed to bring two of the three capital sources to full Council for consideration. Staff was also directed to explore 15-year capital options and provide additional information on interest rate swaps to Council Finance.

#### Importance of 15-year Capital

During prototyping for the Bloomberg Mayors Challenge competition, rental property owners reported that no money down, affordable monthly payments are critical considerations, in particular for owners with multiple units. OBF 1.0 proved these factors are also important for owner-occupied properties, where many homeowners preferred longer term loans which often allow for more comprehensive projects and /or solar installations with affordable monthly payments. In 2016, Fort Collins Utilities implemented the Efficiency Works Neighborhood pilot, with nearly 60 long term loans issued totaling over \$750,000. An additional \$1.5M in 15-year capital for Epic Loans would support approximately 120 similar projects.

Throughout the program history (2013-2019, including Elevations Credit Union loans), 35% of customers have used longer loan terms to reduce monthly payments and / or undertake more comprehensive energy efficiency projects. As a result, the longer-termed loans account for a larger percentage of the total loan portfolio value, at 45%. When looking specifically at on-bill financed loans (2013-2016 and 2018-2019), nearly 50% of customers have used longer term loans (Table 1), accounting for approximately 60% of the on-bill financed loan portfolio value. In short, longer term loans are generally used for bigger, more comprehensive projects that can generate increased benefits for the people who live in and / or own those homes, as well as positively impacting overall City goals.



Table 1. Summary of On-Bill Financed Projects by Loan Term

	3- & 5-year loans	7- & 10-year loans	15 (& 20) year loans
Projects	38	65	95
Percentage	19%	33%	48%

In order to keep monthly payments low and make energy retrofit projects attractive, longer loan terms are required. With a 15-year loan at the average long-term loan amount of \$13,000, monthly payments are \$101. These attractive monthly payments are critical for overcoming both upfront cost and continual cost barriers for home and rental property owners considering energy upgrades.

#### **15-year Capital Options**

Per Council Finance request, staff has identified the following four options for 15-year capital:

- 1. Pursue an agreement with the national green bank for up to \$2.5M with the required 50% deposit and use an interest rate swap to stabilize variable rates (This is the staff recommendation.)
- 2. Use L&P Reserves to fund \$1.5M, in addition to the current \$1.6M that is currently deployed or has been repaid
- 3. Use only the 15-year funding available from CEO, Bloomberg, and repaid L&P Reserves
- 4. Implement a hybrid of Options 2 and 3, using L&P Reserves to provide backfill demand once other Option 3 sources are exhausted

To provide sufficient financing for the expected number of projects, the short-term (3-4 year) capital goal is \$7M to \$8M. This assumes \$1.5M to \$2M annually in energy efficiency project financing. As staff has outlined, sufficient 15-year capital is critical to the success of the overall program.

#### **Option 1: National Green Bank**

Staff has been in discussions with a national green bank to negotiate 15-year loan terms, which were presented and discussed at the July 15, 2019 Council Finance meeting. The terms include:

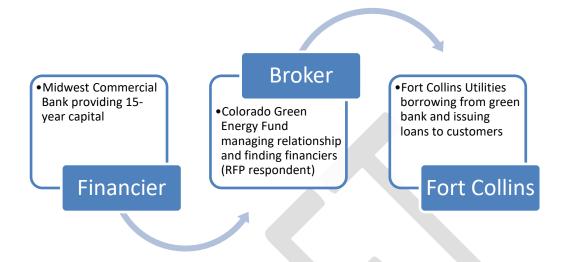
- Amount: Up to \$2,500,000 (staff expects to only draw \$1,500,000)
- Length: 15-years inclusive of draw period
- Draw period: Up to 2 years with quarterly draws based on customer loans
- Variable rate: Wall Street Journal Prime + 0.25% (currently 5.50%)
- <u>Collateral:</u> City will deposit 50% of drawn amount into interest bearing account from L&P Reserves (staff expects \$750,000 deposit)
- Pre-pay: City may pre-pay in whole or in part at any time and without penalty
- Repayment position: Senior pledge on customer loan repayments and second position on Electric Utility revenues, after the more senior pledge held by revenue bondholders

#### Banking Relationship

Staff issued RFP #8842 in December 2018, to which the Colorado Green Energy Fund was one of two respondents. The Colorado Green Energy Fund has found and managed the relationship with a financier willing to provide 15-year terms (Figure 1). If this option is selected, Fort Collins Utilities would borrow from the Colorado Green Energy Fund.



Figure 1. Banking Relationship with the Colorado Green Energy Fund and Commercial Bank



#### **Policy Interactions**

This Option has two interactions with Financial Policy #7 - Debt.

The first interaction is the required 50% collateral, or credit enhancement. Staff assesses an appropriate use of a credit enhancement via the collateral pledge.

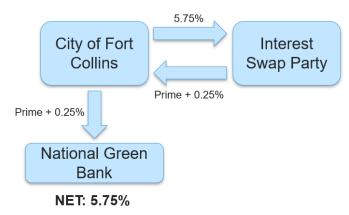
The second interaction is the variable rate and/or derivative swap instrument. The proposed lender is offering a variable interest rate for the loan duration. Staff has attempted to negotiate rate lock-in rights during the draw period, but the lender has been unable to flex. An alternative is to use an interest rate swap, which would qualify as a derivative instrument and is covered by policy as an instrument the City should avoid. Staff assesses a "plain vanilla" interest swap is a feasible solution, although it carries a cost premium, but it would effectively "lock in" a fixed rate on the 15-year note if City is unwilling to accept variable rate risk.

#### Interest Rate Swap

Interest rate swaps are a common financial instrument, used by a wide variety of businesses to manage their debt service payments in a manner that best suits their organizational needs. For some entities, variable rates are preferred; for others, fixed rate obligations are best. In this option, the City would negotiate with another party (who prefers a variable rate interest obligation) and the City would exchange the variable rate obligation under the proposed loan with the national green bank (Option 1) for the swap party's fixed rate instrument (Figure 2), using well established markets / providers for these types of financial transactions. The swap would be based on the notional principal, and only the netted difference between fixed and variable interest rate amounts is paid. The interest swap party would also agree to a settlement cadence.

Figure 2. Example of Cash Flows of Interest Rate Swap





All rates are theoretical and not indicative of potential market

#### **Option 2: Light & Power Reserves**

Currently, \$1.6M of L&P Reserves have been deployed for on-bill financing since 2013, of which nearly \$400,000 have been repaid without any losses to date. Option 2 would dedicate an additional \$1.5M of L&P Reserves for 15-year loans. Available Reserves at the end of 2018 were \$8.4M. Anticipated 2019-20 budget changes include a 2019 drawdown on Reserves by \$340K and a 2020 increase on Reserves by \$320K. The Capital Improvement Plan will be updated in Fall 2019, prior to updating the Strategic Financial Plans for a November 2019 presentation to Council Finance.

There is no anticipated need to increase electric rates for a one-time \$1.5M appropriation of Reserves. However, appropriating L&P Reserves for use in Epic Loans will make those funds unavailable for use in other future capital projects, until such time that those funds are repaid by Epic Loan customers.

#### Option 3: 15-year Funding from Grants and Low-Cost Capital Only

There are currently other sources of limited 15-year capital, which include:

- Up to \$1M low-cost loan from CEO dedicated to 15-year projects (to be presented to Council on September 3, 2019)
- Re-allocation of up to \$900K from Bloomberg and CEO grant funds, away from 5-year and 10-year projects

Without external or Reserve financing, the full capital stack across all product offerings will support approximately 130 fewer home upgrades for each "cycle" of the loan portfolio (e.g. each time the capital is lent, repaid and therefore available to be re-loaned), or approximately 370 projects versus an estimated 500 projects. In this Option, the capital burn rate would be 1 to 1.5 years faster.

#### Option 4: Hybrid of Options 2 & 3 Using L&P Reserves After Other Sources Exhausted

A final Option is to use the 15-year capital sources outlined in Option 3 above and use L&P Reserves once all other sources have been exhausted.

#### **15-year Capital Option Analysis**

Staff analysis of the benefits and challenges for each Option is outlined in Table 2. If supported by Council Finance, staff recommends bringing Option 1 to full Council for consideration on October 1, 2019.

Table 2. Analysis of 15-year Capital Options



Option	Benefits	Challenges
Option 1: National Green Bank (staff recommendation)	<ul> <li>Provides sufficient funding for expected 15-year projects</li> <li>Scalable for the long-term, and replicable for other cities</li> <li>Only market capital provider willing to provide 15-year terms, all other market capital providers will not go over 10-year terms</li> </ul>	<ul> <li>Requires a 50% deposit into an interest-bearing account from L&amp;P Reserves</li> <li>Requires a policy exception to use an interest rate swap</li> <li>Contingent on other low-cost capital sources to provide an attractive rate for customers</li> </ul>
Option 2: Light & Power Reserves	Provides easy access to low-cost capital	<ul> <li>Impacts the opportunity costs of other important Utilities needs</li> <li>Not scalable for long-term, or replicable for other cities</li> </ul>
Option 3: 15-year Funding from Grants and Low- Cost Capital Only	No additional capital agreements needed (after CEO loan presented to full Council)	<ul> <li>Does not provide sufficient funding for expected 15-year projects</li> <li>Not scalable for long-term</li> <li>Removes low-cost capital from 5-year and 10-year loans for blending to create attractive customer rates</li> </ul>
Option 4: Hybrid of Options 2 & 3 Using L&P Reserves After Other Sources Exhausted	No additional capital agreements needed (after CEO loan presented to full Council)	<ul> <li>Not scalable for long-term, or replicable for other cities</li> <li>Removes low-cost capital from 5-year and 10-year loans for blending to create attractive customer rates</li> <li>Impacts the opportunity costs of other important Utilities needs</li> </ul>

#### **Next Steps**

Staff seeks direction from Council Finance with which option to proceed for City Council consideration. If supported, staff is tentatively scheduled to present the selected 15-year capital option to full Council on October 1, 2019.

#### **DISCUSSION / NEXT STEPS:**

A 15 year loan term is programmatically important - 80% of customers / owners said if longer term is not available, it would not be feasible for them to participate.

Ross Cunniff; see if my impression is right – interest rate swap – really a bet that the variable rate will go down and they will potentially make potentially more money –

Travis Storin; speculating or they have a hedge of their own that they are trying to install

Ross Cunniff; re: the risk to the person who wants to pay the fixed interest

- 1) Variable rate goes down paying more for money than we would have had to
- 2) Hard to back up there may be some potential that a partner might default on the agreement

What are our contingencies if that happened?



Travis Storin; credibility of the institution - that is a key element as we go shop for this Will have to be one of the large multi-national banks we are targeting to take on this risk.

They do have the risk of defaulting - it is a possibility and deliberate vendor selection is our mitigating measure.

Ross Cunniff; if the economy tanked, we could decide to not engage or draw the full amount, right?

Travis Storin; yes, the notional amount is going to be whatever we have drawn - we will have a draw period on the facility and only swap the amount we have drawn not the full amount -

Ross Cunniff; still some risk - the advantage to program and to businesses that cannot make the cash flow work Are powerful to me along with the ability to make this a sustainable proposition. My concern is I would not want to make this a standing change to policy - I would want to make it a case by case basis — so would need to be very narrowly tailored for this circumstance - vitally important program. I am supportive of moving forward - we need to be careful sending the message — I don't want us to be used as part of a portfolio This is really a special case - Fort Collins is not going to be a variable interest player - bigger picture policy perspective

Mike Beckstead; staff is very much aligned with that - This is an exception specific to version 3.0. If we find this works and would want to do it again - we would need to come back to Council and share our experience for 4.0 - we view this is a one-time event as well.

Mayor Troxell; I would agree - let's keep it as a one-time exception

Option 1 with the National Green Bank is my preference.

Question – with the interest rate swap how does the deposit play into that?

Travis Storin; the deposit scales with what we draw at a rate of 50% - according to policy we are only to do this when we run an NPV and this is still beneficial to City of Fort Collins. In this case there is really not an NPV to run - more a deal or no deal – we are working with Lance Smith and we have determined that it is up to \$750K earmark on reserves which would go into an interest bearing account - Comparable rates to a money market - when we prepay or it matures, we would get those funds back

Sean Carpenter; The max loan amount would be \$25K - we have not issued any loans that large to date The average loan amount is currently \$14K so we anticipate \$10-14K will be the range for the vast amount of these projects over 5, 10 or 15-year terms

Mike Beckstead: the consumer chooses the term based on the value of the energy efficiency they want to put into their properties – the savings from the improvements are hard to realize over a shorter term - which impacts their cashflow

Ken Summers: how many loans are we anticipating?

Travis Storin; our peak year was 2016 where we did 110 loans

Ken Summers; what happens if they default? Concerned about someone needing to borrow that amount over such a long term



Mike Beckstead; we would have a lien on the house but our experience to date in the 4-5 years of this program is that we have not had a single delinquent loan - part of that is the nature of what people are borrowing for – they know with the lien in place that if they do sell we will get our piece.

Darin Atteberry; projects like new windows, furnaces, major capital equipment

Ross Cunniff; we are targeting certain types of projects that typically pay back similar or higher value on their energy bill to what they are paying - that is probably also why you would want to get the monthly cost down.

Travis Storin; one of our iterations was a strictly 3<sup>rd</sup> party bank that they would go to as a qualified borrower – with much the same amount of rigor as a mortgage – not serviced on the bill so the protections were different – the demand for that product has been pretty limited - people like being able to pay it on their utility bill the onbill portion is a positive.

Ken Summers; we are talking about modifying policy and additional risk – I am concerned on the trade-off standpoint

Mike Beckstead; might be helpful is we zoom out to 10K feet and provide some context - we started this program in 1012 using \$800K from L&P reserves as the funding source for the loans and in 2014 Council approved another \$800K for additional loans -revolving. Currently there is \$1.8M in reserves available for these loans - we can't continue to use that funding methodology and make the volume of energy efficiency changes we want to make in our community so we turned to how to use 3<sup>rd</sup> party capital - we went to version 2.0 with a local credit union but when we did that the number of loans tanked dramatically. Now we are at version 3.0 where we are trying to figure out how to get a competitive capital stack across 3 different terms providing home energy efficiencies that would not happen without this type of financing - a little bit of history on how we came to this point. Our goal has been to figure out how we can use 3<sup>rd</sup> party capital as opposed to using our own capital which comes with some risk.

Travis Storin; This is one component of the greater energy works portfolio - of the energy efficiency improvements that are made - loans account for 25% of the expenditure and 15-year loans count for 50% of loans and for 60% of the dollars

80% of those who used 10-15 year terms and on-bill financing said that they would not have done it without the 10 or 15 year terms.

Mayor Troxell; this is a model - some other municipalities are looking to us -

Sean Carpenter; that is right - some of the support we are not talking about today includes the \$200K grant we received from the Colorado Energy Office – in the hopes that we can create a 'cookbook' to help other communities replicate this in Colorado and elsewhere.

Travis Storin; the low cost capital is a critical success factor- for every loan 2/3 of the loan amount comes from a market driven source

Mike Beckstead; To summarize, there are some questions and concerns, some things in the AIS that we will want to clarify. But I believe we have the direction to bring this forward to Council on October 1<sup>st</sup>



Ken Summers; to do 15 years – we will need to make a policy exception and take on more risk I am trying to get a handle on year 11-15 – as opposed to years 1-10 and the impact

Mike Beckstead; the consumer is making the choice – we are just providing the alternatives to match the savings of the investment, the energy efficiency benefits and their cashflow

Meeting adjourned at 11:56 am



## COUNCIL FINANCE COMMITTEE AGENDA ITEM SUMMARY

Staff: Tom Leeson, Community Development & Neighborhood Services, Director

Noelle Currell, Financial Planning and Analysis, Manager

**Date:** October 21, 2019

#### SUBJECT FOR DISCUSSION

Development Review and Building Permit Fees Study

#### **EXECUTIVE SUMMARY**

As part of the City's coordinated fee update process, City Staff along with MGT Consulting Group (MGT) conducted an in-depth analysis of the City's development review and building permit fees. This study evaluated whether these fees are set at appropriate levels, inclusive of all costs, consistent with the City's goals for cost recovery, and how fees compare to other communities regionally.

Due to the complexities, processes and number of departments involved in development review and the permitting, the Council Finance Committee requested an advisory committee be created to better understand potential impacts of fee and methodology changes and collect feedback and advisement regarding proposed changes.

Staff has extensively evaluated the methodology for calculating fees and is requesting feedback on the change in methodology for calculating building permit and plan check fees from using the valuation of a project to using the square footage of a project (not all project types apply), a flat fee for over-the-counter permits, addition of a new erosion control and storm water inspection fees, as well as updates to current development review fees based on a simplified fee schedule. No methodology changes are being requested for development review fees; however, timing of collection of Utilities development review is being shifted to when services are provided.

#### GENERAL DIRECTION SOUGHT AND SPECIFIC QUESTIONS TO BE ANSWERED

Is Council Finance supportive of updated fees and methodology?

Is Council Finance supportive of new Erosion Control & Stormwater Inspection fees?

#### **BACKGROUND/DISCUSSION**

#### **Development Review Fee Advisory Committee**

A Development Review Fee Advisory Committee was formed based on Council Finance Committee's directive to better understand how to simplify the current fee schedule. This included calculation of fees, timing of collection, validation and acceptance of a new methodology and other recommendations. This balanced group was comprised of industry professionals, Fort Collins Citizens, and City staff.

Advisory Committee List: A Blend of Citizens, Industry and Staff

Industry: Jennifer Bray: Affordable Housing Board

Adam Eggleston: Ft. Collins Board of Realtors Doug Braden: Home Builders Association

Citizen: Matt Robenalt: Downtown Development Authority

Cathy Mathis: Local Legislative Affairs Committee, Development

Consultant

Braulio Rojas: South Ft. Collins Business Association Linda Stanley: Economic Advisory Commission

City Staff: Mike Beckstead: Project Sponsor

Russ Hovland: Fee Owner Building Permit Fees

Tim Kemp: Fee Owner Engineering Fees

Noelle Currell: Project Manager

Tom Leeson: Fee Owner Development Review Fees

#### **Overview of Meetings and Topics Covered**

The group convened for five (5) two-hour sessions starting in May 2019 with the final meeting September 2019.

#### **Fee History**

Currently, there are numerous fees across CDNS (Community Development and Neighborhood Services), Utilities, and Engineering, spread over three (3) types of fees; development review, infrastructure inspection (engineering), and building permit. Examples include building permit fee, plan review fee, transportation development review, over-the-counter permits, and engineering inspection fees. The current percentage for cost recovery is set at 100%.

The City Manager is authorized to set fees based on the costs of providing development and building permit review services, pursuant to City Code Sec. 7.5-2. The Land Use Code (Sec. 2.2.3.D) establishes the cost recovery model for development and building permit fees:

- 1. Recovery of Costs. Development review fees are hereby established for the purpose of recovering the costs incurred by the City in processing, reviewing and recording applications pertaining to development applications or activity within the municipal boundaries of the City, and issuing permits related thereto. The development review fees imposed pursuant to this Section shall be paid at the time of submittal of any development application, or at the time of issuance of the permit, as determined by the City Manager and established in the development review fee schedule.
- 2. Development Review Fee Schedule. The amount of the City's various development review fees shall be established by the City Manager and shall be based on the actual

expenses incurred by or on behalf of the City. The schedule of fees shall be reviewed annually and shall be adjusted, if necessary, by the City Manager on the basis of actual expenses incurred by the City to reflect the effects of inflation and other changes in costs. At the discretion of the City Manager, the schedule may be referred to the City Council for adoption by resolution or ordinance.

#### **Fee Calculation Review**

To accurately calculate where fee levels should be set, an inclusive listing of fees was thoroughly reviewed, every staff member involved in a fee activity was identified, and staff members that complete fee related activities were interviewed to determine the amount of time spent per fee item. Calculations were carried out to determine the fully burdened cost of employees. Overhead calculations were also reviewed and included things like buildings, managers, and IT support. Fees were set based on the time and the overhead allocated. Validation steps were taken to ensure proper cost recovery, which included:

- ensuring no individual groups were over-allocated (available work hours versus total time of fee activities)
- estimating revenue forecasts based on 2018 volumes (ensuring revenue does not end higher than cost)
- confirmation with management teams to ensure accurate allocation of each person's time to the fees (e.g. only allocating 25% of some positions).

#### **Methodology Changes and Impacts**

#### Development Review Fees

No methodology change for the development review fees (pre-building permit activity, such as Project Development Plan, Minor Amendment, Final Development Plan) is proposed. However, one goal in this area was to reduce the number of fees, through fee consolidation or deletion (e.g. Affected Property Owner mailing costs removed).

Additional changes within the development review fees include adding staff members that are fully engaged in development review activities that have not historically been included within the fee calculations. This includes City Attorney's Office staff, Forestry staff, and Parks Planning staff. Additionally, Utilities development review fees have historically been collected at time of Building Permit, and those will now be collected at time of development review application to more accurately reflect the time of service.

The impacts of these changes are an increase in development review fees for all application types.

#### Infrastructure Inspection Fees

No methodology change is proposed for the infrastructure inspection fees. These fees were last updated in 1997, so the impact of these changes is an increase in the infrastructure inspection fees.

#### **Building Permit Fees**

Staff is proposing a methodology shift for new construction building permit fees from being based on valuation to square footage/building type. The square footage of a project is not subject to disagreements as it is a definite quantity provided within the application; it is known in the early phases of a project, so it provides a stronger basis for calculating accurate fee estimate. Additionally, square footage has a strong correlation to the amount of time it takes to review/process an application and the time it takes to complete inspections.

To help with efficiency and overall fee consistency, over-the-counter permits will go to a flat fee versus valuation based (examples: residential roof, water heater, furnace). Staff time in this area is driven by type of work, not the value.

Tenant finishes and remodels will remain valuation based. Valuation cost breakouts were updated based upon interviews with building inspectors with the result being a decrease in fees for these application types.

It should be noted that sales and use tax is still based on valuation, so applicants will still need to provide the project valuation for tax purposes.

The impacts of these changes, including shifting the timing of collection of the Utility development review fees, are a decrease in building permit fees.

#### **New Fees: Erosion Control & Storm Water Construction Inspection**

These are proposed new fees that will cover field inspection personnel. Currently, no fees are collected, and this activity is subsidized by the rate payers and not by established fees. Staff is requesting implementation of an erosion control fee & storm water infrastructure inspection fee to cover the costs of inspections that are currently being executed.

The process completed by Utilities is as follows; Field verification by a City Stormwater Inspector is now required as stated in the project Development Agreement, City Land Use Code Section 3.3.2(E)(1)(e), and Fort Collins Stormwater Criteria Manual Ch 3, Sec 3.1). Project managers should request inspections prior to installation of stormwater features, or at a minimum, keep the City inspector up to date on scheduling.

Inspections target the milestones listed in the feature's corresponding construction checklist, which is submitted as part of the Site Grading and Drainage Certification (checklists may change as the program evolves).

As part of the certification process, certification checklist documentation is submitted to Utilities' Water Engineering Department and requires acknowledgment that verification occurred at the intervals specified therein.

Utilities Light and Power are not included in this study.

#### **Developer/Builder Cost Impacts**

In order to understand/quantify the impact on development, staff did a comparative study on existing developments. Samples were chosen based upon common application types including:

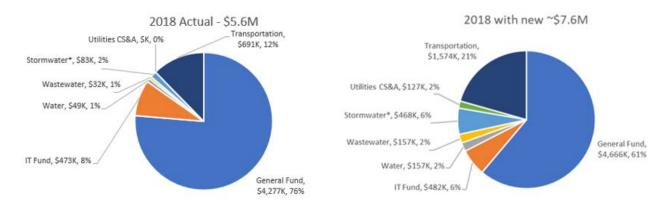
Infill development, Single Family Homes, Multi-family, Affordable Housing, Commercial Buildings and Industrial Uses. Fees within this study generally increased ~30%, however as part of the overall fee stack, the updates resulted in minor changes (from less than 1% to 10% of total City Fees). Additional details are included in attachment 1.

#### **City Cost/Revenue Impacts**

Since the fees charged are intended to cover the costs to provide the service, an analysis was done to evaluate the costs to the City of development review, infrastructure inspection, and building permits based on the 2018 volume of permit applications. In 2018, the City collected \$5.6 million in development related fees, which were intended to cover the costs of those services. The actual total cost in 2018 was closer to \$7.6M.

Fee Type	Current Collections*	Future*
1. Development Review	\$583K	\$3,654K
2. Infrastructure Inspection	\$322K	\$898K
New Stormwater Fees	\$0	\$75k-\$100K
3. Building Permit	\$4,751K	\$3,008K
<u>Total</u>	\$5.6M	\$7.6M

The greatest impact on collections is seen in the Utilities Funds and the Transportation fund. In Utilities the changes are driven by the timing of collection, updated cost inputs and addition of Erosion Control and Stormwater Infrastructure Inspections. Within the Transportation fund changes are driven primarily by the infrastructure inspections (which as noted had not had fee updates since 1997) and update to number of Transportation funded Development Staff (e.g. Traffic Engineers and Civil Engineers).



#### **Next Steps and Public Outreach**

Staff is currently engaging in a robust public outreach process with the following groups:

- South Fort Collins Business Association
- Super Issues Forum

Northern Colorado Homebuilder's Association

- Downtown Development Authority
- North Fort Collins Business Association
- Local Legislative Affairs Committee
- Affordable Housing Board
- Water Board

- Human Relations Board
- Economic Advisory Commission
- Building Review Board
- Housing Catalyst

To date, four (4) of 13 public outreach sessions have been completed: Planning and Zoning Board, Local Legislative Affairs Committee, Northern Colorado Home Builders Association and Fort Collins Board or Realtors. Staff has documented feedback and will work on any to-do items that are presented from this feedback. Questions and comments revolved mainly around efficiencies, affordability/attainability of housing, waivers of fees for low income housing and the overall fee stack:

- Efficiencies when volumes decrease, will staff numbers decrease? More efficiencies will equate to a decrease fee amounts.
- Affordability and attainability Any increase is a hit and a concern, how can we retain citizens, keep them here in Fort Collins and not moving to surrounding areas due to lesser living expenses (housing)?
- Waivers for low income housing Is it possible to look at and possibly find the appropriate fees to waive?
- Overall fee stack It is felt that this is the greater concern.
- Many felt that the Development Review and Building Permit fees were insignificant but that it is the Capital Improvement Expansion fees are more significant.
- Would it be possible to adjust impact fees to be collected at time of Certificate of Occupancy instead of time of building permit?

#### **Advisory Group Summary of Findings**

The group acknowledges and agrees with the overall methodology changes, fee structure, calculations and inputs.

The group agrees that though there are increases in some areas, overall the changes make sense and fees will be less complicated.

The group agrees with 100% cost recovery. Fees must reflect the cost it takes to provide the service and nothing more.

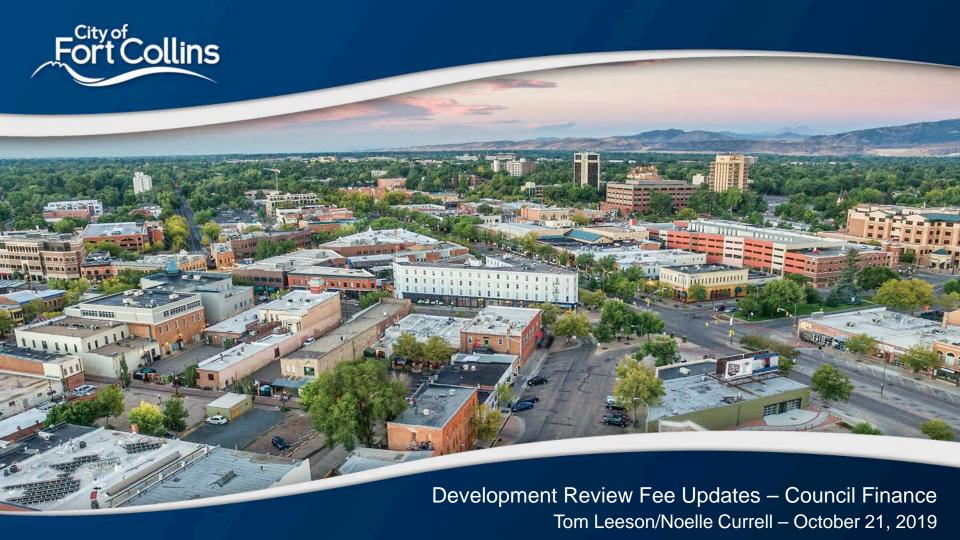
The group notes that any fee increases, particularly to housing, are a concern.

#### **ATTACHMENTS:**

**Attachment 1: PowerPoint Presentation** 

Attachment 2: Memo from Development Review Fee Advisory Committee

Attachment 3: Proposed Fee List





## Council Finance Direction Sought

- Is Council Finance supportive of updated fees and methodology?
- Is Council Finance supportive of new Erosion Control & Stormwater Construction Inspection Fees?



## Fee Coordination Timeline

	Phas	se 1				
	2016	2017	2018	2019	2020	2021
Capital Expansion Fees		Update	Step II	Step III	\	Update
Transportation CEFs		Update	Step II			Update
Electric Capacity Fees		Update		Update		Update
Water Supply Requirement		Update		Update		Update
Wet Utility Fees			Update	Update		Update
<b>Building Development Fees</b>			Update /		Update	
Fee Working Group		Active	Active	Active		

### Detailed fee studies:

- 4 years for CEF, TCEFs & Development fees
- 2 years for Utility fees

In years without updates, an annual inflation adjustment occurs

### 2019 Fee Group – Development Review/Building Fees only

Decoupled from 2019 fee update



# What is Development Review & Purpose of Fees



### **Development Review**

- Project Development Plan
- Final Development Plan
- Major/Minor Amendments



### Development Construction Permit

- Infrastructure
- Erosion Control
- Stormwater



### **Building Permit**

- Plans Review
- Building Inspections

Fees recover the costs to process, review, inspect and record applications pertaining to development applications/activity and issuance permits related thereto.



## Fees in Scope for this Study

Fee Type	Description	When is it Paid?	# of Application Types/Fees/Measures
Development Review Fees	Covers staff time related to reviews of development in the community	Development Application Submittal	32
2. Infrastructure Inspections	Covers infrastructure, erosion controls and stormwater inspections	Development Construction Permit Issuance	37
3. Building Permit	Covers staff time/materials inspecting buildings	Building Permit Issuance	37

• Customer Focus → ~150 "fees" to 106





- Last Update Varies by Type/Department of City
  - Infrastructure Inspections 1997
  - Utilities Development Review 2001
  - Development Review 2006
  - Building Permits 2011
- Cost recovery assumptions varied by type of fee/department
- Costs spread across multiple areas of city and fractions of people making accurate assessment actual cost difficult
- Staff initiated a bottoms up analysis of costs associated with each fee



## How Did Staff Update

- Met with every staff member involved in process
- Based on their experience, determined time the activity drives
- Used actual personnel, materials and overhead costs to develop new fee
- Did a look back used historical fee volumes and new fee numbers to validate costs and revenue are aligned



## Key Updates & Impacts

Fee Type	Methodology Changes	Cost Recovery	Impact to Fees
Development Review Fees	<ul> <li>All Cost Inputs Updated</li> <li>Some Costs Previously in Permits now in Development Review Fees</li> <li>Fees Consolidated</li> <li>Utility Fees Based on Full Cost Recovery</li> <li>Utility Fees Collected at Time of Service</li> </ul>	100%	<b>↑</b>
Infrastructure Inspections	<ul><li>All Cost Inputs updated</li><li>New Fees Proposed</li></ul>	100%	<b>↑</b>
Building Permit	<ul> <li>All Cost Inputs updated</li> <li>New construction → square footage based vs. value based</li> <li>Over the counter → Flat Fees</li> </ul>	100%	<b>\</b>



## New Erosion Control/Stormwater Fees

### Two Fees

- Erosion Control Construction Inspection
  - Bi-weekly inspections of developments currently under construction
  - Fee based on size of site and duration of construction
- Stormwater
  - Inspection of permanent Stormwater infrastructure (e.g. porous pavers)
  - Fee based on quantity/type of Stormwater Facilities
- Why Needed
  - Activities are currently being carried out by City Staff being funded through rate payers, not development
- Fees are Paid at Development Construction Permit





## City Revenue Impact

Fee Type	Current Collections*	Future*
1. Development Review	\$583K	\$3,654K
2. Infrastructure Inspection	\$322K	\$898K
New Stormwater Fees	\$0	\$75k-\$100K
3. Building Permit	\$4,751K	\$3,008K
Total	\$5.6M	\$7.6M

Costs include: Personnel, Materials and OH

\*Current collections is 2018 actual data, Future is 2018 volumes w/ new fee amounts



## Infill/Mixed Use - Uncommon

Residential Sq Ft – 175,884 Commercial Sq Ft – 6,952 Tenant Finish Value - \$250k 119 Units Decrease of \$96/unit



		Old	Structure,	/What was Actual	ly Paid		New Fee Structure							
Fee Type	PDP	FDP	DCP	<b>Building Permit</b>	Others	Total	PDP	FDP	DCP	<b>Building Permit</b>	Others	Total	New H/(L) Old	% Change
Development Review	25,083	2,000	400	-	-	27,483	22,425	17,250	5,132	-	-	44,807	17,324	63.0%
Infrastructure Inspections	-	-	2,722	-	-	2,722	-	-	7,931	-	-	7,931	5,209	191.4%
Building Permit	-	-	-	100,619	-	100,619	-	-	-	66,638	-	66,638	(33,981)	-33.8%
Subtotal Fees Updated	25,083	2,000	3,122	100,619	-	130,823	22,425	17,250	13,063	66,638	-	119,375	(11,448)	-8.8%
Escrows	-	-	-	-	71,483	71,483	-	-	-	-	71,483	71,483	-	0.0%
Impact Fees	-	-	-	839,735	-	839,735	-	-	-	839,735	-	839,735	-	0.0%
Others	250	-	-	509,369	700	510,319	250	-	-	509,369	700	510,319	-	0.0%
Subtotal Other Fees	250	-	-	1,349,104	72,183	1,421,536	250	-	-	1,349,104	72,183	1,421,536	-	0.0%
Grand Total	\$25,33 <u>3</u>	\$2,000	\$ 3,122	\$ 1,449,722	<u>\$72,183</u>	\$1,552,360	\$22,675	\$ 17,250	\$ 13,063	\$ 1,415,742	\$72 <u>,183</u>	\$1,540,912	<u>\$ (11,448)</u>	<u>-0.7%</u>



# Residential Single Family Timbervine



178 Building Permits

173 Units

327k residential sq ft added

7 Stock plans

Increase of \$119/unit

		Ole	d Structure,	What was Actual	ly Paid		New Fee Structure							
Fee Type	PDP	FDP	DCP	<b>Building Permit</b>	Others	Total	PDP	FDP	DCP	<b>Building Permit</b>	Others	Total	New H/(L) Old	% Change
Development Review	40,150	4,000	400	-	8,499	53,049	20,348	31,927	18,735	-	25,919	96,930	43,881	82.7%
Infrastructure Inspections	-	-	55,433	-	-	55,433	-	-	190,733	-	-	190,733	135,300	244.1%
Building Permit	-	-	-	338,469	4,204	342,673	-	-	-	184,033	-	184,033	(158,639)	-46.3%
Subtotal Fees Updated	40,150	4,000	55,833	338,469	12,703	451,155	20,348	31,927	209,468	184,033	25,919	471,697	20,542	4.6%
Escrows	-	-	-	-	6,500	6,500	-	-	-	-	6,500	6,500	-	0.0%
Impact Fees	-	-	-	1,970,176	-	1,970,176	-	-	-	1,970,176	-	1,970,176	-	0.0%
Others	250	-	446	762,904	750	764,349	250	-	446	762,904	750	764,349	-	0.0%
Subtotal Other Fees	250	-	446	2,733,080	7,250	2,741,026	250	-	446	2,733,080	7,250	2,741,026	-	0.0%
Grand Total	\$40,400	<u>\$4,000</u>	\$ 56,279	\$ 3,071,549	\$19,953	\$3,192,180	\$20,598	<u>\$31,927</u>	\$209,914	\$ 2,917,113	\$33,169	\$3,212,722	\$ 20,542	0.6%



# Residential Multi-Family The Wyatt

Residential Sq Ft – 356,324
Garage Sq Ft – 26,974
Clubhouse Sq Ft – 7,732
368 units
Decrease of \$378/unit



		Olo	d Structure/\	What was Actually	/ Paid				New	Fee Structure				
Fee Type	PDP	FDP	DCP	<b>Building Permit</b>	Others	Total	PDP	FDP	DCP	<b>Building Permit</b>	Others	Total	New H/(L) Ol	d % Change
Development Review	47,312	2,000	400	-	2,186	51,898	21,650	16,785	2,025	-	8,595	49,055	(2,843	-5.5%
Infrastructure Inspections	-	-	42,170	-	-	42,170	-	-	98,341	-	-	98,341	56,170	133.2%
Building Permit	-	-	-	333,831	-	333,831	-	-	-	141,443	-	141,443	(192,389	-57.6%
Subtotal Fees Updated	47,312	2,000	42,570	333,831	2,186	427,900	21,650	16,785	100,366	141,443	8,595	288,838	(139,062	2) -32.5%
Escrows	-	-	-	-	21,765	21,765	-	-	-	-	21,765	21,765	-	0.0%
Impact Fees	-	-	-	3,483,740	-	3,483,740	-	-	-	3,483,740	-	3,483,740	-	0.0%
Others	250	-	56,959	953,110	650	1,010,969	250	-	56,959	953,110	650	1,010,969	-	0.0%
Subtotal Other Fees	250	-	56,959	4,436,850	22,415	4,516,474	250	-	56,959	4,436,850	22,415	4,516,474	-	0.0%
<u>Grand Total</u>	\$ 47,562	\$ 2,000	\$ 99,529	<u>\$ 4,770,682</u>	\$ 24,601	<u>\$4,944,374</u>	\$ 21,900	\$ 16,785	<u>\$157,324</u>	\$ 4,578,2 <u>93</u>	\$ 31,010	\$4,805,312	\$ (139,062	<u>-2.8%</u>



# Affordable Housing Village on Redwood



Residential Sq Ft – 84k
72 units
18% affordable housing waivers
Decrease of \$818/unit

		<u>Old</u>	Structure	/What was Actua	ally Paid									
Fee Type	PDP	FDP	DCP	<b>Building Permit</b>	Others	Total	PDP	FDP	DCP	<b>Building Permit</b>	Others	Total	New H/(L) Old	% Change
Development Review	19,364	2,000	400	-	600	22,364	22,425	17,250	8,167	-	5,450	53,292	30,928	138.3%
Infrastructure Inspections	-	-	7,437	-	-	7,437	-	-	14,519	-	-	14,519	7,082	95.2%
Building Permit	-	-	-	117,689	-	117,689	-	-	-	30,922	-	30,922	(86,767)	-73.7%
Subtotal Fees Updated	19,364	2,000	7,837	117,689	600	147,490	22,425	17,250	22,686	30,922	5,450	98,733	(48,757)	-33.1%
Escrows	-	-	-	-	40,073	40,073	-	-	-	-	40,073	40,073	-	0.0%
Impact Fees	-	-	-	904,504	-	904,504	-	-	-	904,504	-	904,504	-	0.0%
Others	250	-	-	288,215	-	288,465	250	-	-	288,215	-	288,465	-	0.0%
Waiver Amount	(2,985)	(360)	-	(97,333)	(30)	(100,708)	(4,037)	(3,105)	(597)	(102,899)	(206)	(110,843)	(10,135)	10.1%
Subtotal Other Fees	(2,735)	(360)	-	1,095,386	40,043	1,132,334	(3,787)	(3,105)	(597)	1,089,820	39,867	1,122,198	(10,135)	-0.9%
Grand Total	\$16,629	\$1,640	\$7,837	\$ 1,213,075	\$40,643	\$1,279,824	\$18,639	\$14,145	\$22,089	\$ 1,120,742	\$45,317	\$1,220,931	\$ (58,892)	-4.6%



## Commercial - Harmony Commons



Commercial Sq ft – 25,805 Hotel Sq Ft – 59,594 Child care Sq Ft – 12,142 Total Value of Tenant Finishes - \$3.72M Increase of \$49k

		Old	Structur	e/What was Actua	ally Paid				Nev	v Fee Structure				
Fee Type	PDP	FDP	DCP	<b>Building Permit</b>	Others	Total	PDP	FDP	DCP	<b>Building Permit</b>	Others	Total	New H/(L) Old	% Change
Development Review	85,064	8,000	800	-	11,322	105,185	89,700	69,000	2,780	-	24,700	186,180	80,995	77.0%
Infrastructure Inspections	-	-	4,034	-	-	4,034	-	-	24,264	-	-	24,264	20,231	501.5%
Building Permit	-	-	-	123,890	1,854	125,744	-	-	-	73,612	-	73,612	(52,132)	-41.5%
Subtotal Fees Updated	85,064	8,000	4,834	123,890	13,176	234,963	89,700	69,000	27,044	73,612	24,700	284,056	49,093	20.9%
Escrows	-	-	-	-	120,720	120,720	-	-	-	-	120,720	120,720	-	0.0%
Impact Fees	-	-	-	969,000	-	969,000	-	-	-	969,000	-	969,000	-	0.0%
Others	1,000	-	-	505,049	3,985	510,034	1,000	-	-	505,049	3,985	510,034	-	0.0%
Subtotal Other Fees	1,000	-	-	1,474,049	124,705	1,599,754	1,000	-	-	1,474,049	124,705	1,599,754	-	0.0%
Grand Total	<u>\$86,064</u>	<u>\$8,000</u>	<u>\$4,834</u>	\$ 1,597,93 <u>9</u>	<u>\$137,881</u>	<u>\$1,834,718</u>	<u>\$90,700</u>	\$69,000	<u>\$27,044</u>	<u>\$ 1,547,661</u>	<u>\$149,405</u>	<u>\$1,883,810</u>	\$ 49,093	<u>2.7%</u>



## Industrial - South College Storage

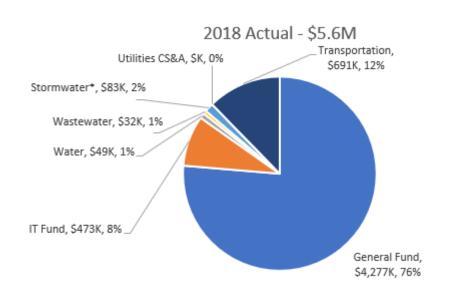


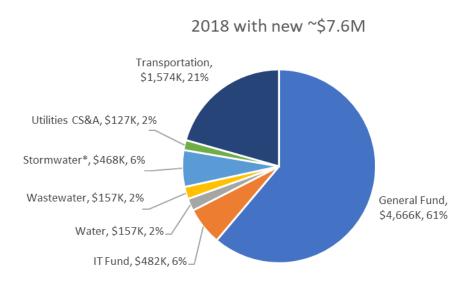
Storage sq ft – 107,890 \$5.8M valuation Increase of \$30k

		Old St	ructure/\	What was Actuall	y Paid				New F					
Fee Type	PDP	FDP	DCP	<b>Building Permit</b>	Others	Total	PDP	FDP	DCP	<b>Building Permit</b>	Others	Total	New H/(L) Old	% Change
Development Review	37,372	2,000	400	-	-	39,772	22,425	17,250	1,657	-	-	41,332	1,560	3.9%
Infrastructure Inspections	-	-	8,198	-	-	8,198	-	-	28,808	-	-	28,808	20,610	251.4%
Building Permit	-	-	-	35,476	-	35,476	-	-	-	43,156	-	43,156	7,680	21.6%
Subtotal Fees Updated	37,372	2,000	8,598	35,476	-	83,446	22,425	17,250	30,465	43,156	-	113,296	29,850	35.8%
Impact Fees	-	-	-	146,930	-	146,930	-	-	-	146,930	-	146,930	-	0.0%
Others	250	-	-	127,600	-	127,850	250	-	-	127,600	-	127,850	-	0.0%
Subtotal Other Fees	250	-	-	274,530	-	274,780	250	-	-	274,530	-	274,780	-	0.0%
Grand Total	\$37,622	\$2,000	\$8,598	\$ 310,007	\$ -	\$358,227	\$22,675	\$17,250	\$30,465	\$ 317,686	<u>\$ -</u>	\$388,077	\$ 29,850	<u>8.3%</u>



## City Revenue impacts by Fund

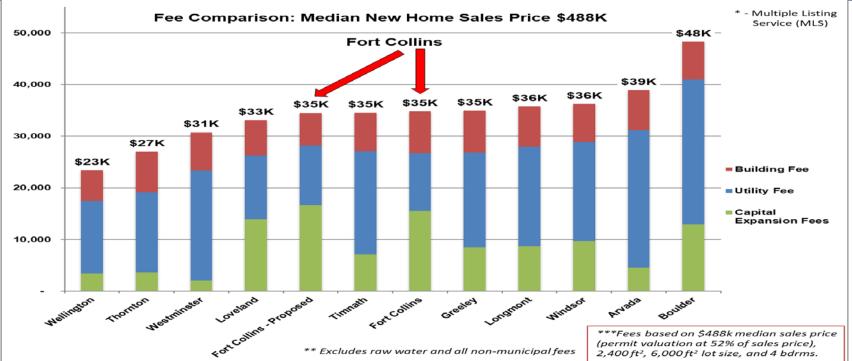




Revenue increases about \$2M – mainly in Transportation and Utilities Funds which have not been recovering cost



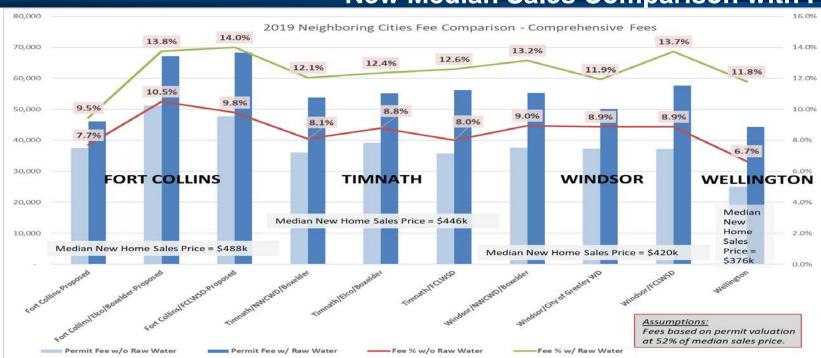
## Fee Comparison: For Median New Home Sales Price \$488K\*



Fort Collins Proposed Fees in the Lower-Middle of the Pack



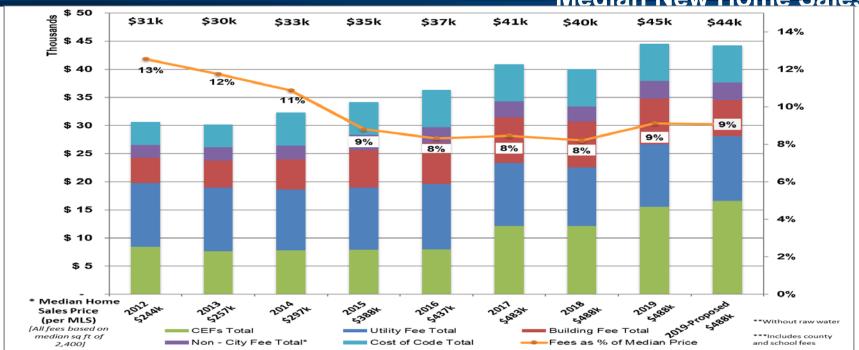
# Neighboring Cities New Median Sales Comparison with Fees



Fort Collins Fees are Inline with Neighboring Cities



## Fort Collins Fee Stack Median New Home Sales



Fort Collins Fees & Code Cost Impact is Leveling % of Median New Home Sales Price





- Advisory Committee Members
  - 16 invitees
  - City Staff, DDA, Board of Realtors, Affordable Housing, EAC, Developers, Builders
- 8 hours of meetings spread over 4 months
- Final outcomes
  - Unanimously Supported
  - Fee increase concerns, but understand drivers
  - Acknowledgement that these fees are a very small percentage of the total fees paid to the City and overall impact is small (-4 - 9% of total fees)



## Public Outreach

Organization	Date
Fort Collins Board of Relators	10/8/2019
Northern Colorado Homebuilder's Association	10/9/2019
Local Legislative Affairs Committee	10/11/2019
Planning & Zoning Board	10/11/2019
Affordable Housing Board	10/15/2019
Water Board	10/17/2019
Super Issues Forum	10/29/2019
Building Review Board	10/31/2019
Downtown Development Authority	11/14/2019
Economic Advisory Commission	TBD
Housing Catalyst	TBD
North Fort Collins Business Association	TBD
South Fort Collins Business Association	TBD





- October/November/December Outreach
- 1/14/20 Council Work Session
- Feb 2020 Adoption
- April 2020 Fees Implemented
- Summer 2021 Fee Updates in Coordination with all other Fees (lead out of Finance)



## Council Finance Direction Sought

- Is Council Finance supportive of updated fees and methodology?
- Is Council Finance supportive of new Erosion Control & Stormwater Construction Inspection Fees?



## Backup

## Methodology



- List of fees/application types was thoroughly reviewed
  - Fees will be "consolidated" from customer side customer currently sees breakout; they will see one number and City will split out amongst funds on the backend
  - Certain fees no longer called out individually (e.g. Sign Posting or Affected Property Owners)
- 2. Identification of all staff involved in fee related activities
- Interviews with staff on individual fees/application types amount of time spent per item - average
- 4. Calculation of fully burdened cost of employees
- 5. Fees based on fully burdened cost and time



## How they are Calculated: 100% Cost Recovery

### Example of Calculated Amount – Sewer Manhole:

- Fully burdened hourly inspector cost \$56.06/hour
  - Cost includes salary, benefits, vehicle, clothing, computer refreshes, annual training/certifications
- Total time for Inspection 120 minutes
- Total Direct Cost \$112.12
- Total Indirect Cost \$60.61
  - Includes Inspector Manager time, admin time (take in application), software, building, general City OH (HR, Legal, Finance)
- Calculated Cost \$172.73



## Tenant Improvements Examples

,	Value_	<u>Description</u>	Curi	rent Fee	New Fee	Change	% Change
\$	450	Install new electrical breaker for the installation of canned lights, and install vent to washer. Replaced water lines for sink	ć	25	\$ 50	\$ 25	100%
٠,	430	and washer box. with stub wall.	۲	23	<del>ب</del> 50	ر ک	100%
\$	3,400	Install a a 40,000 btu garage furnace and install 50 ft of gas line and add new electrical circuit.	\$	142	\$ 127	\$ (15	-11%
	,	This in an addition of an unheated 3 season Sunroom (12'X15') 180 sq. ft. including several new caissons added at					
\$	21,000	engineered support points with a 60 foot patio pad extension on west side and 26 foot patio pad extension on the south	\$	522	\$ 400	\$ (123	-23%
<u> </u>	!	side, and adding electrical.					
		Remodel of 3033 to include constructing small sections of demising walls to separate space into 3 retail suites. Relocate					
\$	34,000	light switches as needed and modify one entrance/exit door and add 3rd entrance/exit door for tenant B. Add doors to	\$	757	\$ 557	\$ (200	-26%
1	!	separate tenant suites from the common area.					
۲	6F 000	Tenant finish of 2,515 sq. ft. for "Crooked Stave Taproom" to include minor demolition, electric, mechanical and plumbing.	۲	1 200	¢ 022	ć /207	220/
\$	65,000	Work to also include changing out light fixtures, and adding wood planks and painting no exterior foyer.	۶ 	1,209	\$ 823	\$ (387	-32%
		Interior remodel of 265 sq ft to include removing one non-loading curtain wall to open up the kitchen and extend it into the					
\$	120,000	current study. Adding a new gas range with hood, moving existing electrical and plumbing as needed. Black Timber Builders	\$	1,789	\$ 1,170	\$ (619	-35%
i	,	to do the framing.					
Ļ	490,000	Tenant finish of 8300 sq ft for 'Computer Services, Inc.' to include reconfiguring the current office space, new framing,	۲	4.660	¢ 2 220	ć /1 220	200/
\$	480,000	acoustical ceilings, fire sprinkler modifications, plumbing, HVAC and electrical.	Ş	4,669	\$ 3,330	\$ (1,339	-29%
		Complete interior demoltion and tenant finish of 10898 sq ft to include relocating office spaces, meeting spaces, restrooms					
\$ 1	.,000,000	and a second story addition of 1186 sq ft will be added. Exterior changes will include changing the existing façade to match	\$	8,429	\$ 6,200	\$ (2,229	-26%
<u> </u>		the addition.Steel frame construction throughout building.					
		Renovation of existing 25,075 sq. ft. building to include new manufacturing/ testing space on 1st floor with office and					
, 1¢	200 200	conference rooms. Mechanical equipment will be housed in mechanical basement. All new mechanical and plumbing work	_ ا	F3 00F	¢ = 7 20C	A 2 204	C0/
\$10	),288,390	throughout building, including (9) new rooftop HVAC units. Minor exterior improvements including new entry canopy on	<b>&gt;</b>	53,905	\$ 57,286	\$ 3,381	6%
1	southeast corner and small (2x5') windows on south and east sides of building.						



Planning, Development & Transportation Community Development & Neighborhood Services 281 N. College Ave. PO Box 580 Fort Collins, CO 80522 970.416.2350 970.224.6134 FAX

www.fcgov.com

### **MEMORANDUM**

**DATE:** September 9, 2019

**TO:** City Leaders

**THRU:** Noelle Currell, Manager, FP&A

Tom Leeson, CDNS Director

**FROM:** Jennifer Bray: Affordable Housing Board...

Adam Eggleston: Ft. Collins Board of Realtors...
Doug Braden: Home Builders Association...

Matt Robenalt: Downtown Development Authority\_ Cathy Mathis: Local Legislative Affairs Committee\_ Braulio\_ Rojas: South Ft. Collins Business Association\_

Linda Stanley: Economic Advisory Commission

**RE:** Development Review Fee Study Advisory Committee

### Purpose:

The purpose of this memorandum is to inform City Leaders of the Development Review Fee Advisory Committee's recommendations regarding action to update the City's Development Review and Building Permit fees.

### Position:

The Development Review Fee Advisory Committee was formed based on Council Finance Committee's directive to better understand how to simplify the current fee schedule, calculating of fees, timing of fee collection, validating and gaining buy-in to a new methodology and providing recommendations. This fee committee met five times between May and September.

### Recommendations:

Methodology Change: The group agreed that the methodology changes are sound and that there are positive benefits with these changes. It is felt the fee changes do not have a crushing impact.

Cost Recovery: It was agreed upon that recovery of costs should be set at 100%.

.



Storm Water Construction Inspection: This is a new fee and is necessary to cover the cost of inspectors for storm water construction. The group agreed that this fee should be included in the fee listing.

Small project fees, Director Discretion: It was felt by the group that the Director of Community Development and Neighborhood Services should have discretion in relation to small project fees.

Public Outreach: The following list is the agreed up public outreach that will take place before this item goes before Council:

Organization	Contact
Affordable Housing Board	Sue Beck-Ferkiss
Water Board	tconnor@fcgov.com.
Super Issues Forum	Christine Macrina < cmacrina@fcgov.com >
Building Review Board	rhovland@fcgov.com
Fort Collins Board of Relators	Heather@fcbr.org.
Local Legislative Affairs Committee	ahutchison@fcchamber.org or at (970) 482- 3746
Northern Colorado Homebuilder's Association	nikki@nocohba.com
Economic Advisory Commission	Josh Birks
Housing Catalyst	jbrewen@housingcatalyst.com
Downtown Development Authority	Matt & Kristy
North Fort Collins Business Association	greg.woods@stewart.com
South Fort Collins Business Association	brian@legacyfinancialgroup.us.com
Planning & Zoning Board	reverette@fcgov.com

New Building	g Pr	icing				
CONSTRUCTION OF NEW BUILDINGS (Permit and Plan Check):	Tota / Sq	al Cost Ft	Total Cost / Sq Ft Stock Plan	Staff Recom	mended	Stock Plan - Staff Recommended
A (Assembly)	\$	0.37		\$	0.40	
B (Business)	\$	0.46		\$	0.50	
E (Educational) (set by State, not able to allocate)						
F (Factory)	\$	0.33		\$	0.35	
I (Institutional)	\$	0.46		\$	0.50	
M (Mercantile)	\$	0.37		\$	0.40	
R-1 (Hotel)	\$	0.30		\$	0.35	
R-2 (Apartment)	\$	0.32		\$	0.35	
R-3 (Single Family Detatched/Duplex)	\$	0.62	\$ 0.51	\$	0.65	\$ 0.55
R-4 (Assisted Living)	\$	0.52		\$	0.55	
S (Storage)	\$	0.37		\$	0.40	
U (Utility)	\$	0.36		\$	0.40	

		Tenant Improvements
U	to Value:	Scale
\$	2,000	\$105
\$	25,000	\$105 for the first \$2k, then \$15.5 for each \$1k after
\$	50,000	\$462.5 for the first \$25k, then \$10.5 for each \$1k after
\$	100,000	\$725 for the first \$50k, then \$6.5 for each \$1k after
\$	500,000	\$1050 for the first \$100k, then \$60 for each \$10k after
\$	1,000,000	\$3450 for the first \$500k, then \$55 for each \$10k after

Flat Fee Services			:	
Project Type:	Cos	t/Service	Staff Recom	ımended
Air Conditioner Replacement	\$	60.04	\$	65.00
Antennas	\$	60.04	\$	65.00
Basement Finish	\$	150.11	\$	155.00
Boiler Replacement	\$	60.04	\$	65.00
Commercial Roof Replacement	\$	200.14	\$	210.00
Commercial Signs	\$	60.04	\$	65.00
Demolition	\$	60.04	\$	65.00
Fireplace (Wood burning, pellet, gas, log)	\$	60.04	\$	65.00
Furnace Replacement	\$	60.04	\$	65.00
Gas Pipe Installation	\$	60.04	\$	65.00
Mobile Home Setup	\$	80.06	\$	85.00
Pool/Spa	\$	100.07	\$	110.00
Rooftop Unit Replacement	\$	80.06	\$	85.00
Single Family Deck or Patio Cover	\$	100.07	\$	110.00
Residential Roof Replacement (under XXX square feet)	\$	80.06	\$	85.00
Solar PV Systems	\$	60.04	\$	65.00
Temporary Sales or Construction Trailer Setup	\$	80.06	\$	85.00
Upgrade/ Replace Electrical Service	\$	60.04	\$	65.00
Water Heater Replacement	\$	60.04	\$	65.00
Window Installation	\$	60.04	\$	65.00
Stock Plans:	Cos	t/Service	Staff Recom	ımended
Single Family Attached	\$	529.60	\$	550.00
Single Family Detached	\$	529.60	\$	550.00
Duplex	\$	529.60	\$	550.00

Infrastructure Construction Inspection				
INSPECTION FEES:	Measure	Cost/Service	Staff	Minimum
INSPECTION LES.	ivicasure	Cost/Service	Recommended	Charge
Boring	linear ft. (NEW)	\$ 0.35	\$ 0.40	\$ 50.00
Concrete or asphalt	square yards	\$ 2.50	\$ 2.55	\$ 50.00
Drive Approach	square yards	\$ 1.39	\$ 1.40	\$ 50.00
Fire Access Grass Crete	square yards	\$ 0.63	\$ 0.65	\$ 50.00
Fireline Fitting ( Bend, Tee, Cross )	each	\$ 83.37	\$ 85.00	
Gutter CrossPans	square yards	\$ 2.50	\$ 2.55	\$ 50.00
Meter Pit (1 1/2")	each	\$ 125.05	\$ 130.00	
Meter Pit (3")	each	\$ 396.00	\$ 400.00	
Meter Pit (3/4")	each	\$ 125.05	\$ 130.00	
Pedestrian Ramps	each	\$ 97.26	\$ 100.00	
Potholes	each	\$ 27.79	\$ 30.00	\$ 50.00
Reinforced Concrete Pipe	linear ft.	\$ 1.46	\$ 1.50	\$ 50.00
Sanitary Sewer Main	linear ft.	\$ 2.24	\$ 2.25	\$ 50.00
Sewer Connection/Disconnect	each	\$ 229.26	\$ 230.00	
Sewer Manhole	each	\$ 166.74	\$ 170.00	
Sewer Service Line Stub	each	\$ 416.85	\$ 150.00	
Sidewalk, trails, curb/gutter, curb/gutter w sidewalk	linear ft.	\$ 2.50	\$ 2.55	\$ 50.00
Stormwater Manhole	each	\$ 166.74	\$ 170.00	
Structural concrete, masonry or stone work for retaining				
walls, box culverts, wing walls, drop structures or other	linear ft.	\$ 2.92	\$ 2.95	\$ 50.00
Trench	linear ft.	\$ 2.29	\$ 2.30	\$ 50.00
Water Connection/Disconnect	each	\$ 250.11	\$ 255.00	
Water Fitting ( Bend, Tee, Cross )	each	\$ 83.37	\$ 85.00	
Water Main	linear ft.	\$ 2.40	\$ 2.45	\$ 50.00
Water Main (Fire Line)**	linear ft.	\$ 2.40	\$ 2.45	\$ 50.00
Water Service Line Stub	each	\$ 416.85	\$ 150.00	
APPURTENANCES:				
Fire Hydrant	each	\$ 250.11	\$ 255.00	
Fittings	each	\$ 83.37	\$ 85.00	
Inlet	each	\$ 229.26	\$ 230.00	
Valve and Valve Box	each	\$ 104.21		
DRIVEWAY PERMIT:				
For driveway up to 15' wide	each	\$ -	\$ 75.00	
EXCAVATION PERMITS:				
Application Fee	each	\$ 41.68	\$ 45.00	

Planning Fees				
Continue No.		. /C	Staf	ff
Service Name:	Cos	t/Service	Rec	ommended
Addition of Permitted Use	\$	5,807	\$	5,825
Additional Rounds of Review	\$	6,629	\$	6,650
Annexation	\$	5,103	\$	5,125
Basic Development Review	\$	13,783	\$	13,800
Change of Use	\$	4,793	\$	4,800
Development Construction Permit (DCP):	\$	2,001	\$	2,025
Easement Vacation	\$	1,018	\$	1,025
Easement/Right-of-way Dedication	\$	672	\$	675
Extra Occupancy Rental	\$	1,730	\$	1,750
Final Plan	\$	17,242	\$	17,250
Limited-Scope Project (Director Discretion)	\$	-	\$	5,600
Lot Line adjustments	\$	329	\$	350
Major Amendment	\$	15,379	\$	15,400
Minor Amendment	\$	4,769	\$	4,775
Modification of Standards	\$	1,559	\$	1,575
Off-site construction Staging	\$	431	\$	450
Overall Development Plan	\$	10,274	\$	10,275
Plan Amendment (for deviations from City Plan or Sub Area Plans)	\$	10,419	\$	10,425
Prelminary Development Review	\$	2,542	\$	2,550
Project Development Plan(PDP) Initial	\$	22,406	\$	22,425
PUD Large +640 acres	\$	109,656	\$	109,675
PUD Small 50 - 640 acres	\$	42,155	\$	42,175
Reasonable Accomodation Request	\$	519	\$	525
Rezoning	\$	4,776	\$	4,800
Right of Way Vacation	\$	1,593	\$	1,600
Road Project	\$	11,640	\$	11,650
Short Term Rental Denial Appeal	\$	182	\$	200
Text Amendments	\$	2,973	\$	2,975
Variance	\$	412	\$	425
Wireless telecomm - Final	\$	3,148	\$	3,150
Wireless telecomm - Initial	\$	2,991	\$	3,000
Zoning Verification Letter	\$	140	\$	150

### **Erosion Control**

Dependent on number of lots, acres of site disturbance and expected years of inspection

Feature Type	Measure	Cost	
Pourous Pavers	quantity of instances	\$	365
Bioretention	quantity of instances	\$	315
Extended Detention Basin	quantity of instances	\$	250
Ungerground Treatment	quantity of instances	\$	415

### COUNCIL FINANCE COMMITTEE AGENDA ITEM SUMMARY

Staff: Josh Birks & Shannon Hein

**Date:** October 21, 2019

### SUBJECT FOR DISCUSSION

Economic Health Revolving Loan Fund – Good News

#### **EXECUTIVE SUMMARY**

The purpose of this item is to share the good news that the City of Fort Collins Revolving Loan Fund has officially launched and provide an overview of the program. The Revolving Loan Fund is intended to support small businesses and startup companies operating in Fort Collins. The City has pledged funds to support access to capital for small businesses in Fort Collins, which have historically not had access to traditional financial capital markets ("under banked" or "non-bankable") The demographic focus of this program will be low-income, minority, veteran, and women-owned small businesses.

### GENERAL DIRECTION SOUGHT AND SPECIFIC QUESTIONS TO BE ANSWERED

1. Does the Committee have any questions about the program?

### **BACKGROUND/DISCUSSION**

A revolving loan fund (RLF) is a gap financing tool used for the development and expansion of small businesses and startup companies. This Ordinance will support the first step in the development of the City's RLF that over time will become an "evergreen" source of capital for underserved and disadvantaged borrowers in the community. "Evergreen" is the term used to refer to a self-replenishing pool of money through interest and principal payments from previous loans to be used for new loans as budgeted and appropriated in future years.

Businesses with 1-100 employees make up 98% of all firms in Fort Collins. These businesses employ 47% of the workforce and provide 40% of the total wages in our community.

#### Demonstrated need:

- Data from the small business needs assessment deployed in 2018 demonstrated the need and interest for capital resources from women-owned businesses, specifically women-owned businesses in the revenue band of \$100,000 \$499,000.
- A report by Minority Business Development Agency
   <a href="http://www.mbda.gov/sites/default/files/DisparitiesinCapitalAccessReport.pdf">http://www.mbda.gov/sites/default/files/DisparitiesinCapitalAccessReport.pdf</a>, found that, "Among firms with gross receipts under \$500,000, loan denial rates for minority

- firms were about three times higher, at 42 percent, compared to those of non-minority-owned firms, 16 percent."
- The City's Economic Health Office (EHO) has identified access to capital as a barrier to the small business community within the Economic Health Strategic Goal, B.4, Increase Capital to Support Startup Companies and Entrepreneurs. As such, EHO believes a revolving loan fund can support in meeting Strategic Objective B.4.

#### Goals

The goals of the RLF include:

- A. Encouraging business starts, strengthening and/or expansion of businesses through selfemployment. This in turn facilitates job creation as a means of economic self-sufficiency for low-and moderate-income individuals.
- B. Helping bridge the financial gap for small businesses which might eventually qualify for bank financing and preparing the small business owner for traditional bank relationships.
- C. Foster diversity in the business community by encouraging business ownership among traditionally underserved minorities, women, and the disabled.
- D. Promote entrepreneurship and business innovation as a means of harnessing the creative potential of small businesses and investing in the economic success of the community.

Contributions to this RLF comes from two sources:

- Platte River Power Authority (PRPA) support of economic development efforts (2017, 2018, 2019 and beyond)
- 2019 City of Fort Collins Cluster Funding (one-time contribution)

Since 1982, Platte River has granted funds annually to support economic development efforts. Prior to 2017, these contributions received by the City of Fort Collins were directed toward Rocky Mountain Innosphere (Innosphere). In August 2017, the City requested PRPA to remit the funds directly to our organization in order to support the development of a small business lending program. These funds were received in 2017 and 2018 and are in the City's General Fund reserve available for appropriation. Funds to be appropriated are as follows:

Source	Fund	Amount
2017 PRPA Contribution	General Fund	\$21,878
2018 PRPA Contribution	General Fund	21,916
2019 PRPA Contribution	General Fund	36,436
City of Fort Collins Cluster Contribution	KFCG (transfer to General	98,500
	Fund)	
Total RLF Appropriation and		\$178,730
Transfer		

Summer 2019, the City issued Request for Proposal (RFP) #8963 seeking a qualified, licensed and accredited capital vendor to manage and administer the revolving loan fund on the City's behalf. The City selected Colorado Lending Source ("CLS") as the vendor. CLS will lend its

own funds and use the City's contribution only in the case of default on a loan. The total loan pool will be \$1.0 million.

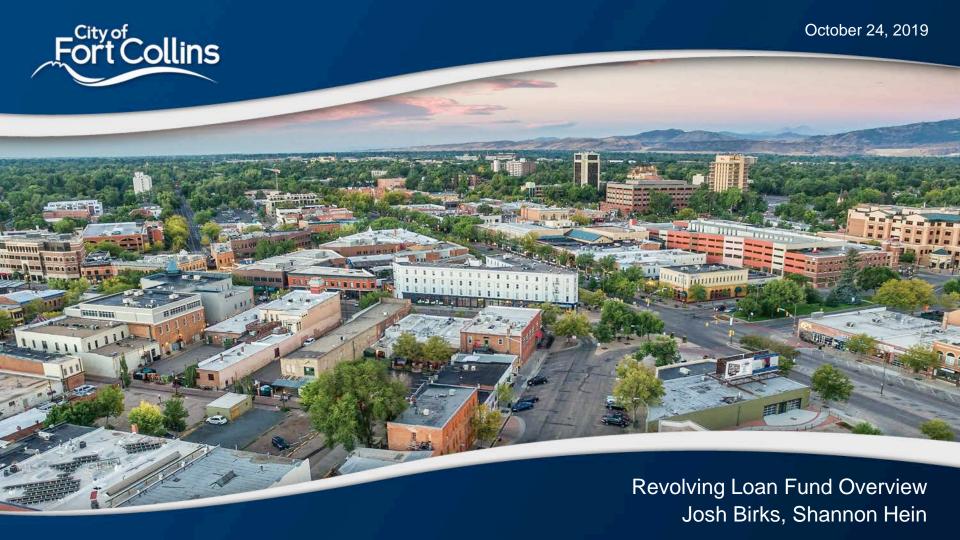
Term loans would be available to eligible small businesses for up to \$50,000 for the following purposes:

- Working capital
- Equipment
- Inventory
- Business purchase

#### **Oversight**

A representative from the selected vendor will meet with City of Fort Collins staff at least semiannually to review the program, lending data, and to provide updates. Staff will provide updates to City Council annually.

**ATTACHMENTS** (numbered Attachment 1, 2, 3,...)









Does the committee have any questions about the Revolving Loan Fund program





## **Council Priorities**

**Small Business** 

Strategies that Create Community Jobs



98% of all firms in Fort Collins are businesses with 1 – 100 employees



## Small Business Capital Needs



#### Small Business Needs Assessment – Fort Collins

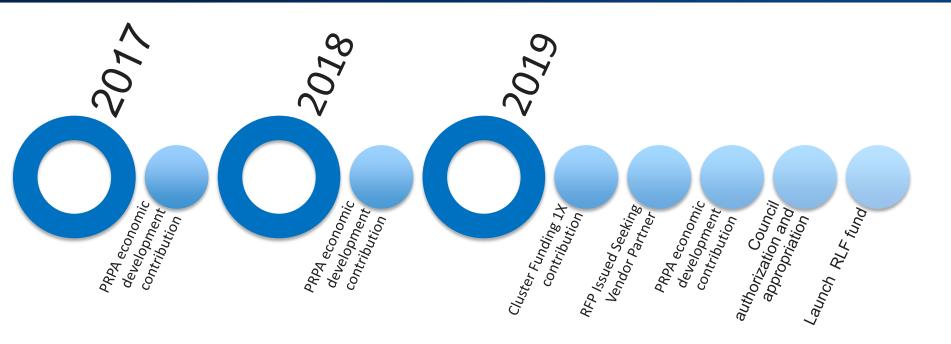
 67% of women-owned businesses reported this would be a benefit, higher than any other segment surveyed

## Minority Business Development Agency report

 Firms with gross receipts under \$500,000, loan denial rates for minority firms were 3X higher than non-minority-owned firms.

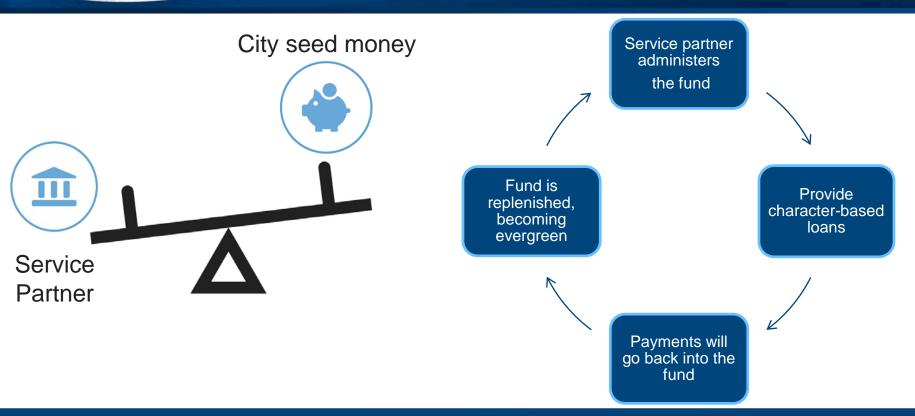








## What is a Revolving Loan Fund?









Encourage business starts, strengthening, expansions



Help bridge the financial gap for small businesses



Foster diversity in the business community



Promote entrepreneurship and business innovation





- Good character
- Must be a small business
- Located in Fort Collins
- Unable to obtain conventional financing





## Source of Funding

Source	Fund	Amount
2017 PRPA Contribution	General Fund	\$21,878
2018 PRPA Contribution	General Fund	21,916
2019 PRPA Contribution	General Fund	36,436
City of Fort Collins Cluster Contribution  KFCG (transfer to General Fund)		98,500
Total RLF Appropriation and	d Transfer	\$178,730





1.

Service partner manages and leverages the fund 10x

2.

No Administrative fee 3.

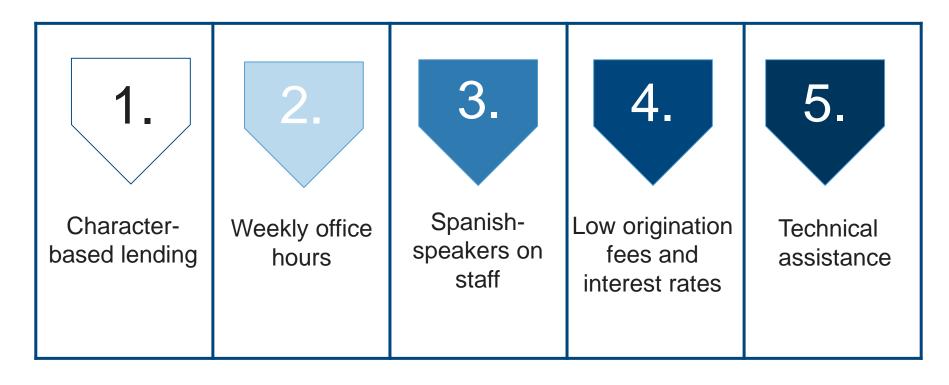
Opportunity for women, minority, and veteranowned businesses



Advisory board reporting



## **Additional Benefits**









Does the committee have any questions about the Revolving Loan Fund program

#### COUNCIL FINANCE COMMITTEE AGENDA ITEM SUMMARY

Staff: Theresa Connor, P.E., Shane Boyle, P.E., Lance Smith

**Date:** 10/21/2019

SUBJECT FOR DISCUSSION Off-Cycle Budget Amendment for Strategic Land Acquisition

in the West Vine Stormwater Basin

#### **EXECUTIVE SUMMARY**

The West Vine Stormwater Master Plan envisions an open channel connection between the Cityowned Forney Property and City-owned land located adjacent to this parcel to the east. The parcel at 1337 West Vine came in for conceptual development review. Staff has negotiated a price for purchasing the rear portion of the property while the West Vine road frontage portion is being subdivided into residential lots. The purpose of this item to appropriate prior year reserves in the Storm Drainage Fund to purchase the parcel.

#### GENERAL DIRECTION SOUGHT AND SPECIFIC QUESTIONS TO BE ANSWERED

Does Council Finance Committee have any questions or suggestions regarding the off-cycle budget amendment to fund strategic land acquisition in support of the West Vine Stormwater Master Plan?

#### **BACKGROUND/DISCUSSION**

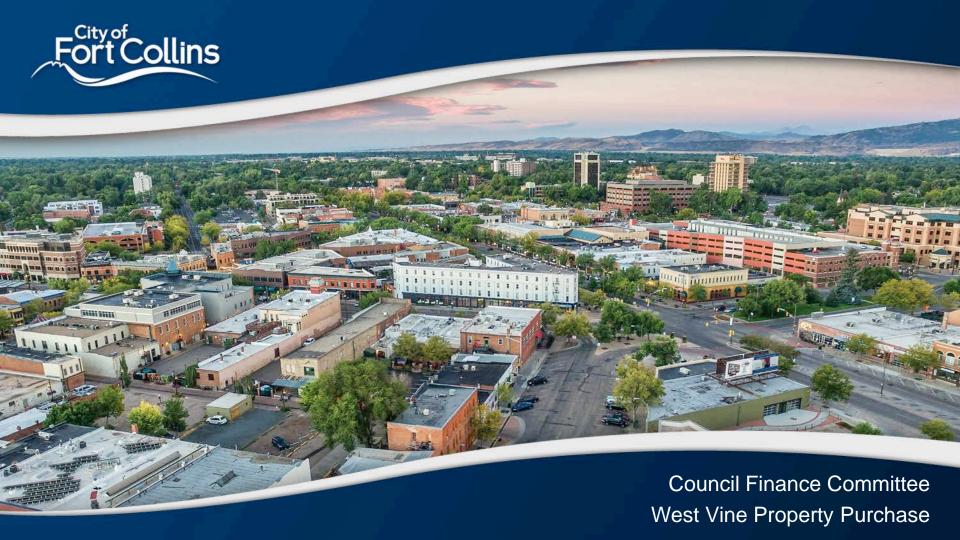
Much of the West Vine Basin, located in western Fort Collins generally along Vine Drive and Laporte Avenue, was developed in the County prior to stormwater and floodplain regulations being adopted. For this reason, there is significant potential for flooding in the basin during a large rainstorm event. The City's Stormwater Master Drainage Plan for the West Vine Basin identifies improvements that would help to mitigate and convey flood flows through the basin to the Poudre River.

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A portion of the property at 1337 West Vine lies within the proposed alignment for the West Vine Outfall Stormwater Project and is currently for sale (see attached presentation). The purpose of this appropriation is to authorize the purchase of the portion of the property that is needed in order to construct the West Vine Outfall project. If the City does not purchase the property, it may be sold to a third party and developed, which would hinder the City's ability to construct this important Stormwater project.

Recent projects and property acquisition in the area that are part of the West Vine Outfall include construction of a portion of the West Vine Outfall from Vine Drive to the Poudre River in 2013-2014 and acquisition of the Forney Property for a future regional detention pond in 2012.

**ATTACHMENTS:** Presentation





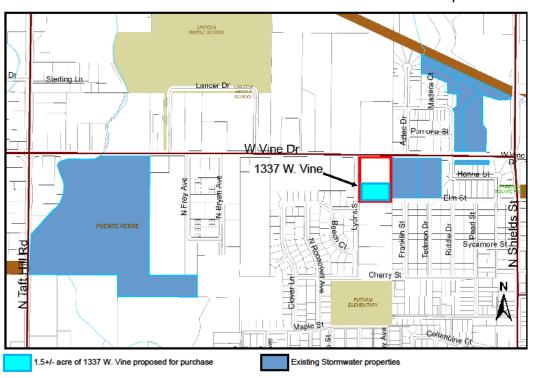
## **Direction Being Sought**

Is the Council Finance Committee supportive of an off-cycle budget offer to fund acquisition of purchase of a portion of the property at 1337 West Vine for future implementation of the West Vine Stormwater Master Plan?



## West Vine Master Plan

#### 1337 W. Vine Drive—West Vine Basin—Stormwater Acquisition



- West Vine Outfall is constructed.
- Currently own two properties of regional stormwater facilities.
- Opportunity to create a channel and trail system between properties.



## **Direction Being Sought**

Is the Council Finance Committee supportive of an off-cycle budget offer to fund acquisition of purchase of a portion of the property at 1337 West Vine for future implementation of the West Vine Stormwater Master Plan?



## Questions

#### Theresa Connor, P.E.

Deputy Director, Water Engineering and Field Services

### Shane Boyle, P.E.

Civil Engineer III, Stormwater and Land Development Review



## COUNCIL FINANCE COMMITTEE AGENDA ITEM SUMMARY

**Staff:** Travis Storin – Director, Accounting

Josh Birks - Director, Economic Health Office

**Date:** October 21, 2019

#### 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 from the General Fund 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 and the associated moral obligation?

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.

#### **DISCUSSION**

Finance staff approached Authority staff in the summer of 2019 with the idea of refinancing the Prospect South loan. Refinancing the loan could allow the City to allocate the \$5 million to other priorities. A refinance could also allow the Authority to get a lower interest rate than the effective interest rate of 4.96% on the Prospect South loan.

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 URA expects the following terms for this bond issuance:

<b>Amount Borrowed</b>	Outstanding balance and cost of issuance (Approx. \$5 million)
Term	18 years
Interest Rate	2.587% - 2.929%
Coverage Ratio	1.94 - 2.01
Total Cost	\$6,150,782 - \$6,343,395

The Authority is seeking a moral obligation from the City to receive a more favorable bond rating and interest rate. A moral obligation allows the City to meet any debt service costs from the bond issuance in the case of a default. Council is not obligated to meet these debt service costs in the event of a default by the URA. Council may elect to appropriate funds to service this debt or Council can elect to not service this debt. A moral obligation would likely result in a rating increase from BBB+ to A or higher. The savings between these two ratings is \$165,192 over the life of the loan. The moral obligation will also make it easier for investors to trade the bonds in the secondary market, reducing the interest cost upon issuance by the Authority.

In summary, this refinance will allow the City to allocate \$5 million to other community priorities during the upcoming Budgeting for Outcomes process while potentially saving the URA \$794,000 - \$986,000 over the life of the loan. This loan refinance would also honor the strong partnership between the City and the URA.

#### **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 19. Staff aim to complete the refinance by the end of 2019.

#### **ATTACHMENTS**

- 1. Loan Agreement for The Summit
- 2. Loan Agreement for Prospect Station
- 3. Proforma for Proposed Prospect South Loan Refinance

#### RESOLUTION NO. 065

#### OF THE BOARD OF COMMISSIONERS

OF THE FORT COLLINS URBAN RENEWAL AUTHORITY
APPROVING A LOAN FROM THE CITY OF FORT COLLINS TO THE FORT COLLINS
URBAN RENEWAL AUTHORITY FOR REIMBURSEMENTS FOR THE
CAPSTONE DEVELOPMENT CORPORATION SUMMIT ON COLLEGE PROJECT,
APPROVING A LOAN AGREEMENT FOR THAT PURPOSE, AND APPROPRIATING
LOAN PROCEEDS FOR EXPENDITURE BY THE AUTHORITY

WHEREAS, on June 6, 1978, the City Council of the City of Fort Collins (the "City Council") adopted Resolution 78-49, adopting findings and establishing the Fort Collins Urban Renewal Authority (the "Authority") as an urban renewal authority, pursuant to Colorado Revised Statutes, Part 1 of Title 31, Article 25, as amended (the "Act"); and

WHEREAS, by Resolution 2011-080, adopted and approved on September 6, 2011, the City Council found and declared that the area described in such Resolution (the "Midtown Area") is a blighted area as described in the Act and appropriate for an urban renewal project; and

WHEREAS, by Resolution 2011-081, adopted and approved on September 6, 2011, the City Council adopted an urban renewal plan for the Midtown Area in Fort Collins, which established a tax increment district referred to as the Prospect South Tax Increment District that includes the site of the Summit on College Redevelopment Project (the "Project"); and

WHEREAS, by Resolution 2013-043, adopted and approved on May 7, 2013, the City Council adopted amendments to the previously adopted urban renewal plan for the Midtown Area (as amended, the "Urban Renewal Plan" or the "Plan"); and

WHEREAS, the purpose of the Urban Renewal Plan is to eliminate blight and otherwise implement and further the above-referenced resolutions, and the purposes, policies, goals, and objectives of the Authority and the Plan, pursuant to the Act; and

WHEREAS, on September 13, 2011, the Urban Renewal Authority Board ("Board") approved a Redevelopment Agreement (the "Redevelopment Agreement") between the Authority and Capstone Development Corporation ("Capstone") to provide financial assistance for certain improvements and enhancements required by the Project; and

WHEREAS, the Project is located within the boundaries of the Plan and will generate an estimated \$7,000,000 in tax increment funds over the life of the Project; and

WHEREAS, on August 15, 2006, the Board adopted Resolution No. 005 authorizing an intergovernmental agreement between the City and the Authority which provides that the City would provide support services to the Authority and advance funds to the Authority in connection with Authority redevelopment projects; and

WHEREAS, on July 5, 2011, the Board adopted Resolution No. 036, requiring that the intergovernmental agreement between the City and the Authority expressly state that all loan arrangements between the City and the Authority must be documented by a loan agreement and promissory note; and

WHEREAS, the Authority does not anticipate having sufficient tax increment revenues in 2013 to fund its contribution to the Project under the Redevelopment, and Authority staff has requested that the City lend the Authority sufficient funds for that purpose up to a maximum total amount of \$5,000,000 (the "Loan"); and

WHEREAS, Authority staff has prepared a proposed promissory note and loan agreement titled "Loan Agreement between the City of Fort Collins and the Fort Collins Urban Renewal Authority for Funding the Capstone Redevelopment Corporation Summit on College Project" (the "Loan Agreement"), attached hereto as Exhibit "A" and incorporated herein by this reference; and

WHEREAS, the Loan Agreement states that the Authority will pay interest to the City at a rate of 2.68 percent per annum on the loaned funds, but will provide additional repayment by pledging 50 percent of future Prospect South property tax increment revenues, to the extent such revenues are unencumbered by Authority obligations for the Project or other redevelopment projects in the Prospect South tax increment district, up to a maximum of \$1,780,000; and

WHEREAS, on this date, the City Council has approved on second reading Ordinance No. 154, 2013, appropriating funds to support the Loan, and approving the Loan Agreement; and

WHEREAS, the 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; and

WHEREAS, the Board believes that the Loan is in the best interests of the Authority and will promote the purposes of the Authority.

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

Section 1. That the Board hereby finds and determines, pursuant to the Constitution, the laws of the State, and in accordance with the foregoing recitals, that adopting this Resolution, entering into the Loan Agreement and performing all obligations set forth therein, are necessary, convenient, and in furtherance of the Authority's purposes and are in the best interests of the Authority, and will serve the important purposes of remedying blighted conditions within the Plan area and the Prospect South tax increment district pursuant to the Urban Renewal Plan, providing a catalyst for redevelopment in the Midtown Area, increasing sales tax revenues and job opportunities, and the Board hereby authorizes and approves the Loan Agreement.

Section 2. That there is hereby appropriated for expenditure from the Loan to the Authority the sum of FIVE MILLION DOLLARS (\$5,000,000) for use in performance of the Authority's obligations under the Redevelopment Agreement for Capstone Development

Corporation Infill Development, dated September 13, 2011, in accordance with the Loan Agreement.

Passed and adopted at a regular meeting of the Board of Commissioners of the Fort Collins Urban Renewal Authority this 5th day of November, A.D. 2013.

Vice Charperson

1) 011

ATTEST:

Secretary

#### LOAN AGREEMENT BETWEEN THE CITY OF FORT COLLINS AND THE FORT COLLINS URBAN RENEWAL AUTHORITY FOR REIMBURSEMENTS FOR THE CAPSTONE REDEVELOPMENT CORPORATION INFILL DEVELOPMENT (SUMMIT ON COLLEGE PROJECT)

THIS LOAN AGREEMENT (the "Agreement") made this \_\_\_\_ day of November, 2013 by and between the CITY OF FORT COLLINS, COLORADO, a municipal corporation, (the "City"), and FORT COLLINS URBAN RENEWAL AUTHORITY, a public body corporate and politic of the State of Colorado, (the "URA" or "Borrower").

#### RECITALS

- A. Borrower is an urban renewal authority for the City, created pursuant to Colorado Revised Statutes Part 1 of Title 31, Article 25, as amended (the "Act").
- B. Borrower was created to prevent and eliminate conditions related to certain "blight factors" in the community. The Act gives the Borrower broad powers to carry out its statutory mandate. Included are the powers to enter into contracts, borrow or lend funds and to acquire property, among others. Urban renewal projects may be financed in a variety of ways and urban renewal authorities are authorized to borrow money, issue bonds, and accept grants from public or private sources.
- C. By Resolution 2011-080, adopted and approved on September 6, 2011, the City Council found and declared that the area described in such Resolution (the "Midtown Area") is a blighted area as described in the Act and appropriate for an urban renewal project.
- D. By Resolution 2011-081, adopted and approved on September 6, 2011, the City Council adopted an urban renewal plan for the Midtown Area in Fort Collins, which area includes the Property.
- E. By Resolution 2013-043, adopted and approved on May 7, 2013, the City Council adopted amendments to the previously adopted urban renewal plan for the Midtown Area (as amended, the "Urban Renewal Plan" or the "Plan"), the purpose of which is to eliminate blight and otherwise implement and further the above-referenced Resolutions, and the purposes, policies, goals, and objectives of the Borrower and the Plan, pursuant to the Act.
- F. By the Intergovernmental Agreement approved and amended by City of Fort Collins City Council Resolution 2006-082 and Resolution 2011-055, the City may advance funds to the Borrower in support of its activities so long as any such advance of funds is evidenced in writing in the form of a loan agreement and promissory note, and has been approved by both the City Council and the Board of Commissioners of the URA (the "Board").

- G. On September 13, 2011, the Board approved a Redevelopment Agreement (the "Redevelopment Agreement") between the URA and Capstone Development Corporation ("Capstone") to provide financial assistance for certain improvements and enhancements required by the Summit on College Redevelopment Project (referred to in the Redevelopment Agreement and hereinafter as the "Project"); and
- H. In accordance with the Redevelopment Agreement the Borrower is obligated to reimburse Capstone for certain costs relating to the design, construction and reconstruction of all improvements, infrastructure, parking, streets, rights-of-way, buildings, structures, signage, and landscaping to be constructed as part of the Project.
- I. The Borrower has requested that the City provide funding in the form of a loan to the Borrower for these obligations up to an amount not to exceed Five Million Dollars (\$5,000,000) and City has agreed to make a loan on the terms and conditions hereinafter set forth (the "Loan").
  - J. The Project is within the Prospect South Tax Increment District established in the Plan, and tax increment financing for the Project is specifically permitted pursuant to Section 7 of the Plan, and is expected to generate an estimated Seven Million Dollars (\$7,000,000) in tax increment revenues over the life of the Project.
  - K. The City Council has approved this Loan Agreement by its final adoption of Ordinance No. \_\_\_, 2013, on November 5, 2013, and the Board has approved this Loan Agreement by its adoption of Resolution \_\_\_, on November 5, 2013.
  - NOW, THEREFORE, in consideration of the mutual covenants and agreements herein contained, the parties agree as follows:
- Section 1. The Loan. After the effective date of this Agreement (the "Effective Date") and the execution of a promissory note and other documents as may reasonably be required, the City will loan the Borrower upon demand hereunder an amount not to exceed Five Million Dollars (\$5,000,000). All funds received by the Borrower hereunder shall be used for the purposes described herein and in the Redevelopment Agreement.
- Section 2. <u>Interest</u>. Interest on the Loan will accrue at a rate equal to 2.680% per annum.
- Section 3. Payment. Principal and accrued interest will be due and payable by the Borrower to the City as set forth in the payment schedule contained on Exhibit A, attached hereto and incorporated herein by this reference. Payments will apply to interest first, then to principal. If there is unpaid interest at the end of any calendar year, the shortfall will be added to the outstanding balance, resulting in the compounding of interest. All unpaid principal, interest, default interest, fees and charges for the Loan shall mature on December 31, 2037.
- Section 4. <u>Additional Amounts Due</u>. In light of the interest rate reduction agreed upon by the City in connection with the Loan, the Borrower has agreed to make additional

payment to the City each year of this Agreement until the Loan has been fully repaid, no later than December 31<sup>st</sup>, in an amount equal to 50 percent of the total property tax increment revenues received by the Borrower from the Prospect South Tax Increment District in that year, after subtraction of all amounts the Borrower is or has become legally obligated to pay from that year's revenues. The total of payments made by Borrower to the City under this Section 4 shall not exceed One Million Seven Hundred and Eighty Thousand Dollars (\$1,780,000).

- Section 5. Prepayment. Borrower, in its sole discretion, may prepay all or any portion of the payments due under this Agreement at any time and that prepayment will be without any prepayment penalty. If a prepayment is made, the funds will go first toward any interest which has accrued and the balance then applied to the reduction of principal. The URA shall continue to be obligated to make additional payments pursuant to Section 4 in the event of prepayment of scheduled debt service required in Section 3, until the URA has paid the amount of the shortfall in interest considering the interest paid compared to interest accrued at the rate of percent per annum (sometimes referred to as "Policy Interest") as of the payment date, as illustrated on Exhibit C, attached hereto and incorporated herein by this reference.
- Section 6. <u>Tracking</u>. Borrower agrees to maintain a separate payable line-item within its accounting system to track the Loan.
- Section 7. <u>Promissory Note</u>. Borrower's obligations hereunder shall be documented in a Promissory Note in substantially the form set forth as <u>Exhibit B</u>, attached hereto and incorporated herein by this reference.
- Section 6. <u>Notice</u>. Any notice required to be delivered in writing will be accomplished by personal delivery or mailing postage prepaid by the United States Postal Service, or other commercial carrier to the following addresses:

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

If to the Borrower
Fort Collins Urban Renewal Authority
Director of Advance Planning
PO Box 580
Fort Collins, CO 80522-0580.

Section 7. <u>Entire Agreement</u>. This Agreement will be construed according to its fair meaning, as if prepared by both Parties, and constitutes the entire understanding and agreement of the Parties related to the matters addressed in this Agreement.

	CITY:		
	CITY OF FORT COLLINS, COLORADO, a municipal corporation		
`	By:		
	Karen Weitkunat, Mayor		
ATTEST:	·		
By:			
City Clerk			
APPROVED AS TO FORM:			
By:			
Deputy City Attorney			
•	BORROWER:		
	FORT COLLINS URBAN RENEWAL AUTHORITY, a public body corporate and poli of the State of Colorado.		
,	By:		
•	Darin Atteberry, Executive Director		

#### **EXHIBIT A**

Urban Renewal Authority
Propect South TIF District - The Summit project
Loan from City General Fund to URA

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Loan Amount	5,000,000.00
Interest Rate	2.68000%

Start Date	6-Nov-13			
Matures	31-Dec-37			
Years	24 1/6			

Year of					
Loan	Date	Payment	Interest	Principal	Balance
0	6-Nov-13				5,000,000.00
1/6	31-Dec-13		•	-	5,000,000.00
1.17	31-Dec-14	58,267.69	134,000.00	(75,732.31)	5,075,732.31
2.17	31-Dec-15	268,946.07	136,029.63	132,916.44	4,942,815.87
3.17	31-Dec-16	274,324.99	132,467.47	141,857.52	4,800,958.35
4.17	31-Dec-17	274,324.99	128,665.68	145,659.31	4,655,299.04
5.17	31-Dec-18	279,811.49	124,762.01	155,049.48	4,500,249.56
6.17	31-Dec-19	279,811.49	120,606.69	159,204.80	4,341,044.76
7.17	31-Dec-20	285,407.72	116,340.00	169,067.72	4,171,977.04
8.17	31-Dec-21	285,407.72	111,808.98	173,598.74	3,998,378.30
9.17	31-Dec-22	291,115.88	107,156.54	183,959.34	3,814,418.96
10.17	31-Dec-23	. 291,115.88	102,226.43	188,889.45	3,625,529.51
11.17	31-Dec-24	296,938.20	97,164.19	199,774.01	3,425,755.50
12.17	31-Dec-25	296,938.20	91,810.25	205,127.95	3,220,627.55
13.17	31-Dec-26	302,876.96	86,312.82	216,564.14	3,004,063.41
14.17	31-Dec-27	302.876.96	80,508.90	222,368.06	2,781,695.35
15.17	31-Dec-28	308,934.50	74,549.44	234,385.06	2,547,310.29
16.17	31-Dec-29	308,934.50	68,267.92	240,666.58	2,306,643.71
17.17	31-Dec-30	4 315,113.19	61,818.05	253,295.14	2,053,348.57
18.17	31-Dec-31	315,113.19	55,029.74	260,083.45	1,793,265.12
19.17	31-Dec-32	321,415.45	48,059.51	273,355.94	1,519,909.18
20.17	31-Dec-33	321,415.45	40,733.57	280,681.88	1,239,227,30
21.17	31-Dec-34	327,843.76	33,211.29	294,632.47	944,594.83
22.17	31-Dec-35	327,843.76,	25,315.14	302,528.62	642,066.21
23.17	31-Dec-36	334,400.64	17,207.37	317,193.27	324,872.94
24.17	31-Dec-37	333,579.53	8,706.59	324,872.94	-

2,002,758.21 7,002,758.21 5,000,000.00

#### PROMISSORY NOTE

\$5,000,000

November, 2013

FOR VALUE RECEIVED, FORT COLLINS URBAN RENEWAL AUTHORITY, a public body corporate and politic of the State of Colorado ("Borrower"), promises to pay to the order of THE CITY OF FORT COLLINS, COLORADO, a municipal corporation ("Lender"), at its office at 300 LaPorte Avenue, Fort Collins, Colorado 80524, in lawful money of the United States of America the principal amount of Five Million Dollars (\$5,000,000) (the "Loan Amount"). This Promissory Note is issued pursuant to the Loan Agreement between the City of Fort Collins and The Fort Collins Urban Renewal Authority For Reimbursements for the Capstone Redevelopment Corporation Infill Development (Summit on College Project), which Loan Agreement is dated November..., 2013 (the "Agreement").

Capitalized terms used herein but not defined herein have the meanings given such terms in the Agreement. The obligations of Borrower evidenced by this Promissory Note are payable in accordance with the terms and conditions of the Agreement.

The rate of interest on the Loan Amount is a fixed rate equal to 2.68% per annum ("Interest Rate"). As additional consideration for the Loan, Section 5 of the Agreement requires that the Borrower make an additional payment to the City each year of this Agreement until the Loan has been fully repaid, no later than December 31<sup>st</sup>, in an amount equal to 50 percent of the total property tax increment revenues received by the Borrower from the Prospect South Tax Increment District in that year, after subtraction of all amounts the Borrower is or has become legally obligated to pay from that year's revenues. The total of payments made by Borrower to the City under this Section 4 shall not exceed One Million Seven Hundred and Eighty Thousand Dollars (\$1,780,000). All unpaid Principal and accrued interest, and any additional amount due pursuant to Section 4 of the Agreement, will be due and payable on the maturity date. The annual interest rate of this Promissory Note is computed on a 360 day year basis, multiplied by the actual number of days elapsed.

This Promissory Note shall mature on December 31, 2037. At such time all unpaid principal, interest, default interest, fees and charges, and any additional amount due and owing under this Note shall be deemed payable in full.

Unless otherwise agreed or required by applicable law, payments will apply to interest first, then to principal. If there is unpaid interest at the end of any calendar year, the shortfall will be added to the outstanding balance, resulting in the compounding of interest.

Borrower, in its sole discretion, may prepay all or any portion of the payments due under this Agreement at any time and that prepayment will be without any prepayment penalty. If a prepayment is made, the funds will go first toward any interest which has accrued and the balance then applied to the reduction of principal. Borrower shall continue to be obligated to make additional payments pursuant to Section 4 of the Agreement in the event of prepayment of scheduled debt service required in Section 3 of the Agreement, until Borrower has paid the amount of the shortfall in interest considering the interest paid compared to interest accrued at the rate of \_\_\_\_ percent per annum (sometimes referred to as "Policy Interest") as of the payment date, as described in Section 5 of the Agreement.

If Lender refers this Note to an attorney for collection or seeks legal advice following a default beyond all cure periods alleged under this Note, or the Lender is the prevailing party in any action instituted on this Note, or if any other judicial or non-judicial action, suit or proceeding is instituted by Lender or any future holder of this Note, and an attorney is employed by Lender to appear in any such action or proceeding, or to reclaim, seek relief from a judicial or statutory stay, sequester, protect, preserve or enforce Lender's interest in this Note, the Agreement or any other security for this Note (including, but not limited to, proceedings under federal bankruptcy law or in connection with any state or federal tax lien), then Borrower promises to pay reasonable attorneys' fees and reasonable costs and expenses incurred by Lender and/or its attorney in connection with the above-mentioned events. If not paid within ten (10) days after such fees become due and written demand for payment is made, such amount shall be due on demand or may be added to the principal, at the Lender's discretion.

Should any payment or installment hereunder be not paid when the same becomes due and payable, Borrower recognizes that the Lender will incur extra expenses for both the administrative cost of handling delinquent payments and the cost of funds incurred by Lender after such due date as a result of not having received such payment when due. Therefore, Borrower shall, in such event, without further notice, and without prejudice to the right of Lender to collect any other amounts provided to be paid herein, including default interest or to declare a default hereunder, pay to Lender to cover such expenses incurred as a result of any installment payment due being not received within ten (10) days of its due date, a "late charge" of five percent (5%) of the amount of such delinquent payment.

Except as otherwise provided herein, the Borrower waives presentment and demand for payment, notice of acceleration or of maturity, protest and notice of protest and nonpayment, bringing of suit and diligence in taking any action to collect sums owing hereunder and agrees that its liability on this Note shall not be affected by any release or change in any security for the payment of this Note or release of anyone liable hereunder. No extension of time for the payment of this Note, or any installment or other modification of the terms made by the Lender with any person now or hereafter liable for the payment of this Note, shall affect the original liability under this Note of the Borrower, even provided the Borrower is a party to such agreement.

In no event whatsoever shall the amount paid, or agreed to be paid, to the holder of this Note for the use, forbearance or retention of the money to be advanced hereunder ("Interest") exceed the maximum amount permissible under applicable law. If the performance or fulfillment of any provision hereof or of the Agreement or any other document between Borrower and the Lender of this Note shall result in Interest exceeding the limit for interest prescribed by law, then the amount of such Interest shall be reduced to such limit. If, from any circumstance whatsoever, the Lender of this Note should receive as Interest, an amount which would exceed the highest lawful rate, the amount which would be excessive Interest shall be

applied to the reduction of the principal balance owing (or, at the option of the Lender, be paid over to Borrower) and not to the payment of Interest.

If any provision hereof or any provision of the Agreement shall, for any reason and to any extent, be invalid or unenforceable, then the remainder of the document or instrument in which such provision is contained shall not be affected thereby but instead shall be enforceable to the maximum extent permitted by law.

Borrower and Lender hereby knowingly, voluntarily, and intentionally waive any rights they may have to a trial by jury in respect of any litigation based hereon or arising out of, under or in connection with this note or any course of conduct, course of dealing, statements (whether oral or written) or actions of the other party.

This Promissory Note shall be construed in accordance with the laws of the State of Colorado.

IN WITNESS WHEREOF, Borrower has duly executed this Promissory Note as of the day and year first above written.

#### BORROWER:

FORT	COLLINS	URI	3AN	RENEW	ΑL
AUTHO	ORITY, a public	body	corpora	ate and poli	itic
of the St	tate of Colorado.		_	-	
_					
Ву:				·	
I	Darin Atteberry, 1	Execu	tive Di	rector	
Dated:					

#### **EXHIBIT C**

#### **Urban Renewal Authority**

Propect South TIF District - The Summit project Loan from City General Fund to URA

#### Revenue Sharing - Ongoing Tracking

Year of				Difference	50% Revenue	Unpaid Rev
Loan	Date	Agreed Interest	Policy Interest	Owed	shared	Share Balance
0	6-Nov-13					•
0.17	31-Dec-13	-	-	<del>-</del> .		•
1.17	31-Dec-14	134,000.00	289,416.00	155,416.00		155,416.00
2.17	31-Dec-15	136,029.63	248,000.00	111,970.37		267,386.37
3.17	31-Dec-16	132,467.47	241,984.13	109,516.66	·	376,903.03
4.17	31 <b>-</b> Dec-17	128,665.68	235,669.87	107,004.19		483,907.22
5.17	31-Dec-18	124,762.01	229,042.42	104,280.41		588,187.63
6.17	31-Dec-19	120,606.69	222,086.25	101,479.56		689,667.19
7.17	31-Dec-20	116,340.00	214,785.05	98,445.05		788,112.24
8.17	31-Dec-21	111,808.98	207,121.72	95,312.74		883,424.98
9.17	31-Dec-22	107,156.54	199,078.28	91,921.74		975,346.72
10.17	31-Dec-23	102,226.43	190,635.89	88,409.46		1,063,756.18
11.17	31-Dec-24	97,164.19	181,774.76	84,610.57		1,148,366.75
12.17	31-Dec <b>-</b> 25	91,810.25	172,474.11	80,663.86		1,229,030.61
13.17	31-Dec-26	86,312.82	162,712.16	76,399.34		1,305,429.95
14.17	31-Dec-27	80,508.90	152,466.01	71,957.11		1,377,387.06
15.17	31-Dec-28	74,549.44	141,711.65	67,162.21		1,444,549.27
16.17	31-Dec-29	68,267.92	130,423.87	62,155.95		1,506,705.22
17.17	31-Dec-30	61,818.05	118,576.22	56,758.17	•	1,563,463.39
18.17	31-Dec-31	55,029.74	106,140.93	51,111.19		1,614,574.58
19.17	31-Dec-32	48,059.51	93,088.85	45,029.34		1,659,603.92
20.17	31-Dec-33	40,733.57	79,389.38	38,655.81		1,698,259.73
21.17	31-Dec-34	33,211.29	65,010.42	31,799.13		1,730,058.86
22.17	31-Dec-35	25,315.14	49,918.26	24,603.12		1,754,661.98
23.17	31-Dec-36	17,207.37	34,077.53	16,870.16	4	1,771,532.14
24.17	31-Dec-37	8,706.59	17,451.11	8,744.52		1,780,276.66
	_					
	_	2,002,758.21	3,783,034.87	1,780,276.66	-	

#### ORDINANCE NO. 169, 2014

# OF THE COUNCIL OF THE CITY OF FORT COLLINS APPROPRIATING FUNDS FROM THE CITY'S GENERAL FUND RESERVES FOR TRANSFER TO THE FORT COLLINS URBAN RENEWAL AUTHORITY FOR THE PURPOSE OF URA REIMBURSEMENTS FOR THE PROSPECT STATION PROJECT, AND APPROVING A LOAN AGREEMENT FOR THAT PURPOSE

WHEREAS, the Fort Collins Urban Renewal Authority (the "URA") was created on January 5, 1982, by City Council's adoption of Resolution 1982-010, which Resolution designated the City Council as the Board of Commissioners of the Authority; and

WHEREAS, by Resolution 2011-080, adopted on September 6, 2011, the City Council found and declared that the area described in such Resolution (the "Midtown Area") is a blighted area as described in the Part 1, Article 26, Title 31 of the Colorado Revised Statutes (the "Act") and under the Act the Midtown Area is an area appropriate for urban renewal projects; and

WHEREAS, by Resolution 2011-081, adopted on September 6, 2011, the City Council approved an urban renewal plan for the Midtown Area in Fort Collins, which plan was amended by City Council on May 7, 2013, in Resolution 2013-043 (the "Midtown Plan"); and

WHEREAS, the Midtown Plan established a tax increment district referred to as the Prospect South Tax Increment District (the "TIF District") that includes the site of the Prospect Station Redevelopment Project (the "Project"); and

WHEREAS, on September 17, 2013, the URA Board (the Board") approved a Redevelopment Agreement (the "Redevelopment Agreement") between the Authority and Prospect Station, LLC (the "Developer") to provide financial assistance for certain improvements and enhancements for the Project; and

WHEREAS, by Resolution 2013-079, adopted on September 17, 2013, the City Council declared its intent to fund a loan to the URA for the Project; and

WHEREAS, on August 15, 2006, the City Council adopted Resolution 2006-082 authorizing an intergovernmental agreement between the City and the URA providing that the City would provide support services to the URA and advance funds to the URA in connection with URA redevelopment projects; and

WHEREAS, on July 5, 2011, the City Council adopted Resolution 2011-055, requiring that the intergovernmental agreement between the City and the URA expressly state that all loan arrangements between the City and the URA must be documented by a loan agreement and promissory note; and

WHEREAS, URA staff has prepared a loan agreement titled "Loan Agreement between the City of Fort Collins and the Fort Collins Urban Renewal Authority for Reimbursement for Prospect Station, LLC Infill Development," a copy of which is attached as Exhibit "A" and incorporated herein (the "Loan Agreement"); and

WHEREAS, attached as Exhibit A to the Loan Agreement is the promissory note proposed to evidence the loan under the Loan Agreement (the "Promissory Note"); and

WHEREAS, the Loan Agreement and the Promissory Note provide that the City will loan the URA up to \$247,000, the unpaid principal balance of which will accrue interest at the rate of 4.5 percent per annum compounded annually until paid in full; and

WHEREAS, there are sufficient prior year reserves in the General Fund to fund a loan to the URA for the purpose of reimbursing the Developer for the improvements and enhancements as described in the Redevelopment Agreement; and

WHEREAS, the City Manager recommends funding the loan to the URA from the General Fund prior year reserves; and

WHEREAS, Article V, Section 9, of the City Charter permits the City Council to appropriate by ordinance at any time during the fiscal year such funds for expenditure as may be available from reserves accumulated in prior years, notwithstanding that such reserves were not previously appropriated.

NOW, THEREFORE, BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF FORT COLLINS as follows:

Section 1. The City Council hereby finds and determines, pursuant to the Constitution, the laws of the State, the City Charter and Code, and in accordance with the foregoing recitals, that adopting this Ordinance, entering into the Loan Agreement and performing all obligations set forth therein, are necessary, convenient, and in furtherance of the City's purposes and are in the best interests of the inhabitants of the City, and will serve the important public purposes of remedying blighted conditions within the Midtown Area and the TIF District pursuant to the Midtown Plan, providing a catalyst for redevelopment in the Midtown Area, increasing sales tax revenues and job opportunities, and providing other economic and social benefits to the City and surrounding community, and the City Council hereby authorizes and approves the same.

- Section 2. That there is hereby appropriated from General Fund Reserves the sum of TWO HUNDRED AND SEVENTY FOUR THOUSAND DOLLARS (\$274,000) for transfer to the URA as an interest-bearing loan, to provide the URA with the necessary financial support to carry out its purposes and obligations under the Redevelopment Agreement.
- Section 3. That the Loan Agreement is hereby approved, and the Mayor is authorized to execute the Loan Agreement on behalf of the City, subject to such modifications in form or substance, not inconsistent with the purposes or specific terms of this Ordinance, as the City Manager may, in consultation with the City Attorney, deem desirable and necessary to protect the City's interests.

Introduced, considered favorably on first reading, and ordered published this 2nd day of December, A.D. 2014, and to be presented for final passage on the 16th day of December, A.D. 2014.

ATTEST: SEAL SOLORADO

Laver Weitkungt Mayor

Karen Weitkeenst Mayor

City Clerk

Passed and adopted on final reading on the 16th day of December, A.D. 2014.

ATTEST:

City Clerk

### LOAN AGREEMENT BETWEEN THE CITY OF FORT COLLINS AND THE FORT COLLINS URBAN RENEWAL AUTHORITY FOR REIMBURSEMENTS FOR PROSPECT STATION, LLC INFILL DEVELOPMENT (PROSPECT STATION)

THIS LOAN AGREEMENT (this "Agreement") is made this \_\_\_\_ day of November, 2014 (the "Effective Date") by and between the CITY OF FORT COLLINS, COLORADO, a home rule municipal corporation, (the "City"), and FORT COLLINS URBAN RENEWAL AUTHORITY, a public body corporate and politic of the State of Colorado, (the "URA" or "Borrower").

#### RECITALS

- A. Borrower is the urban renewal authority for the City, created pursuant to Colorado Revised Statutes Part 1 of Title 31, Article 25, as amended (the "Act").
- B. Borrower was created to prevent and eliminate conditions related to certain "blight factors" in the community. The Act gives the Borrower broad powers to carry out its statutory mandate. Included are the powers to enter into contracts, borrow or lend funds and to acquire property, among others. Urban renewal projects may be financed in a variety of ways and urban renewal authorities are authorized to borrow money, issue bonds, and accept grants from public or private sources.
- C. By Resolution 2011-080, adopted and approved on September 6, 2011, the City Council found and declared that the area described in such Resolution (the "Midtown Area") is a blighted area as described in the Act and appropriate for an urban renewal project.
- D. By Resolution 2011-081, adopted and approved on September 6, 2011, the City Council adopted an urban renewal plan for the Midtown Area in Fort Collins.
- E. By Resolution 2013-043, adopted and approved on May 7, 2013, the City Council adopted amendments to the previously adopted urban renewal plan for the Midtown Area (as amended, the "Urban Renewal Plan" or the "Plan"), the purpose of which is to eliminate blight and otherwise implement and further the above-referenced Resolutions, and the purposes, policies, goals, and objectives of the Borrower and the Plan, pursuant to the Act.
- F. By the Intergovernmental Agreement approved and amended by City of Fort Collins City Council Resolution 2006-082 and Resolution 2011-055, the City may advance funds to the Borrower in support of its activities so long as any such advance of funds is evidenced in writing in the form of a loan agreement and promissory note, and has been approved by both the City Council and the Board of Commissioners of the URA (the "Board").
- G. On September 17, 2013, the Board approved a Redevelopment Agreement (the "Redevelopment Agreement") between the URA and Prospect Station, LLC ("Prospect Station") to

#### **EXHIBIT "A"**

provide financial assistance for certain improvements and enhancements required by the Prospect Station Redevelopment Project (referred to in the Redevelopment Agreement and hereinafter as the "Project"); and

- H. The Project is located within the Midtown Area.
- I. In accordance with the Redevelopment Agreement the Borrower is obligated to reimburse Prospect Station for certain costs relating to the design, construction and reconstruction of all improvements, infrastructure, parking, streets, rights-of-way, buildings, structures, signage, and landscaping to be constructed as part of the Project.
- J. The Borrower has requested that the City provide funding in the form of a loan to the Borrower for these obligations up to an amount not to exceed Two Hundred and Forty Seven Thousand Dollars (\$247,000) and City has agreed to make a loan on the terms and conditions hereinafter set forth (the "Loan").
- K. The Project is within the Prospect South Tax Increment District (the "Prospect South TIF District") established in the Plan, and tax increment financing for the Project is specifically permitted pursuant to Section 7 of the Plan, and is expected to generate an estimated Eight Hundred and Sixty Five Thousand (\$865,000) in tax increment revenues over the life of the Project.
- L. The City Council has approved this Loan Agreement by its final adoption of Ordinance No. XXXX, 2014, on December 16, 2014, and the Board has approved this Loan Agreement by its adoption of Resolution XXX, on November 18, 2014.
- NOW, THEREFORE, in consideration of the mutual covenants and agreements herein contained, the parties agree as follows:
- Section 1. The Loan. After the Effective Date and the execution of a promissory note and other documents as may reasonably be required by the City, the City will loan the Borrower upon demand hereunder an amount not to exceed Two Hundred and Forty Seven Thousand Dollars (\$247,000). All funds received by the Borrower hereunder shall be used for the purposes described herein and in the Redevelopment Agreement.
- Section 2. <u>Interest</u>. Interest on the Loan will accrue at a rate equal to 4.5% per annum compounded annually.
- Section 3. <u>Payment</u>. Principal and accrued interest will be due and payable by the Borrower to the City as set forth in the payment schedule contained on <u>Exhibit A</u>, attached hereto and incorporated herein by this reference. The Borrower's payments under this Agreement and the Promissory Note described in Section 6 shall only be made from the Borrower's revenues received from the Prospect South TIF District. Payments will apply to interest first, then to principal. If there is unpaid interest at the end of any calendar year, the shortfall will be added to the outstanding balance, resulting in the compounding of interest. All unpaid principal, interest, default interest, fees and charges for the Loan shall mature on December 31, 2037.

### **EXHIBIT "A"**

- Section 4. <u>Prepayment.</u> Borrower, in its sole discretion, may prepay all or any portion of the payments due under this Agreement at any time and that prepayment will be without any prepayment penalty. If a prepayment is made, the funds will go first toward any interest which has accrued and the balance then applied to the reduction of principal. Any partial prepayment shall not postpone the due date of any subsequent payments or change the amount of such payments as required in Exhibit A.
- Section 5. <u>Tracking</u>. Borrower agrees to maintain a separate payable line-item within its accounting system to track the Loan.
- Section 6. <u>Promissory Note</u>. Borrower's obligations hereunder shall be documented in a Promissory Note in substantially the form set forth as <u>Exhibit B</u>, attached hereto and incorporated herein by this reference.
- Section 7. <u>Notice</u>. Any notice required to be delivered in writing will be accomplished by personal delivery or mailing postage prepaid by the United States Postal Service, or other commercial carrier to the following addresses:

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

# If to the Borrower Fort Collins Urban Renewal Authority Redevelopment Program Manager

PO Box 580

Fort Collins, CO 80522-0580.

Section 8. <u>Entire Agreement</u>. This Agreement shall be construed according to its fair meaning, as if prepared by both parties, and it shall constitute the entire understanding and agreement of the parties related to the matters addressed in this Agreement.

CITY:	
CITY OF FORT COLLINS, COLORADO, municipal corporation	a
By: Karen Weitkunat, Mayor	

## EXHIBIT "A"

ATTEST:	
Ву:	
City Clerk	
APPROVED AS TO FORM:	
Ву:	·
Senior Assistant City Attorney	
	BORROWER:
	FORT COLLINS URBAN RENEWAL AUTHORITY, a public body corporate and politic of the State of Colorado.
	By: By:

### **Midtown URA**

# Prospect Station Reimbursement Agreement to City from the URA (General Fund)

Reimbursement Amount	247,000.00
Interest Rate	4.500%
Payment	\$17,458.58

Start Date	31-Dec-15
Matures	31-Dec-37
Payment Years	23

Time in					
Years	Date	Payment	Interest	Principal	Balance
1.000	31-Dec-15 \$	(17,458.58)	\$ (11,115.00) \$	(6,343.58)	(240,656.42)
2.000	31-Dec-16	(17,458.58)	(10,829.54)	(6,629.04)	(234,027.38)
3.000	31-Dec-17	(17,458.58)	(10,531.23)	(6,927.35)	(227, 100.03)
4.000	31-Dec-18	(17,458.58)	(10,219.50)	(7,239.08)	(219,860.95)
5.000	31-Dec-19	(17,458.58)	(9,893.74)	(7,564.84)	(212,296.11)
6.000	31-Dec-20	(17,458.58)	(9,553.32)	(7,905.26)	(204, 390.85)
7.000	31-Dec-21	(17,458.58)	(9, 197.59)	(8,260.99)	(196, 129.86)
8.000	31-Dec-22	(17,458.58)	(8,825.84)	(8,632.74)	(187,497.12)
9.000	31-Dec-23	(17,458.58)	(8,437.37)	(9,021.21)	(178,475.91)
10.000	31-Dec-24	(17,458.58)	(8,031.42)	(9,427.16)	(169,048.75)
11.000	31-Dec-25	(17,458.58)	(7,607.19)	(9,851.39)	(159, 197.36)
12.000	31-Dec-26	(17,458.58)	(7,163.88)	(10,294.70)	(148,902.66)
13.000	31-Dec-27	(17,458.58)	(6,700.62)	(10,757.96)	(138, 144.70)
14.000	31-Dec-28	(17,458.58)	(6,216.51)	(11,242.07)	(126,902.63)
15.000	31-Dec-29	(17,458.58)	(5,710.62)	(11,747.96)	(115, 154.67)
16.000	31-Dec-30	(17,458.58)	(5,181. <del>96</del> )	(12,276.62)	(102,878.05)
17.000	31-Dec-31	(17,458.58)	(4,629.51)	(12,829.07)	(90,048.98)
18.000	31-Dec-32	(17,458.58)	(4,052.20)	(13,406.38)	(76,642.60)
19.000	31-Dec-33	(17,458.58)	(3,448.92)	(14,009.66)	(62,632.94)
20.000	31-Dec-34	(17,458.58)	(2,818.48)	(14,640.10)	(47,992.84)
21.000	31-Dec-35	(17,458.58)	(2,159.68)	(15,298.90)	(32,693.94)
22.000	31-Dec-36	(17,458.58)	(1,471.23)	(15,987.35)	(16,706.59)
23.000	31-Dec-37	(17,458.39)	(751.80)	(16,706.59)	0.00
	\$	(401,547.15)	\$ (154,547.15) \$	(247,000,00)	

#### **PROMISSORY NOTE**

\$247,000

November \_\_\_\_, 2014

FOR VALUE RECEIVED, THE FORT COLLINS URBAN RENEWAL AUTHORITY, a public body corporate and politic of the State of Colorado ("Borrower"), promises to pay to the order of THE CITY OF FORT COLLINS, COLORADO, a home rule municipal corporation ("Lender"), at its office at 300 LaPorte Avenue, Fort Collins, Colorado 80524, in lawful money of the United States of America the principal amount of Two Hundred and Forth Seven Thousand Dollars (\$247,000) (the "Loan Amount"). This Promissory Note is issued pursuant to the "Loan Agreement between the City of Fort Collins and the Fort Collins Urban Renewal Authority for Reimbursements for the Prospect Station Infill Development (Prospect Station)", which Loan Agreement is dated November\_\_\_\_, 2014 (the "Agreement").

Capitalized terms used herein but not defined herein have the meanings given such terms in the Agreement. The obligations of Borrower evidenced by this Promissory Note are payable in accordance with the terms and conditions of the Agreement.

The rate of interest on the Loan Amount is a fixed rate equal to 4.5% per annum compounded annually ("Interest Rate").

This Promissory Note shall mature on December 31, 2037. At such time all unpaid principal, interest, default interest, fees and charges, and any additional amount due and owing under this Note shall be deemed payable in full.

Unless otherwise agreed or required by applicable law, payments will be applied first to any accrued interest; then to principal; then to any late charges; and then to any unpaid collection costs.

Borrower may prepay the principal and interest outstanding under this Note, in whole or part, at any time without penalty. Any partial prepayment shall not postpone the due date of any subsequent payments or change the amount of such payments as required in the Agreement.

If Lender refers this Note to an attorney for collection or seeks legal advice following a default beyond all cure periods alleged under this Note, or the Lender is the prevailing party in any action instituted on this Note, or if any other judicial or non-judicial action, suit or proceeding is instituted by Lender or any future holder of this Note, and an attorney is employed by Lender to appear in any such action or proceeding, or to reclaim, seek relief from a judicial or statutory stay, sequester, protect, preserve or enforce Lender's interest in this Note, the Agreement or any other security for this Note (including, but not limited to, proceedings under federal bankruptcy law or in connection with any state or federal tax lien), then Borrower promises to pay reasonable attorneys' fees and reasonable costs and expenses incurred by

Lender and/or its attorney in connection with the above-mentioned events. If not paid within ten (10) days after such fees become due and written demand for payment is made, such amount shall be due on demand or may be added to the principal, at the Lender's discretion.

Should any payment or installment hereunder be not paid when the same becomes due and payable, Borrower recognizes that the Lender will incur extra expenses for both the administrative cost of handling delinquent payments and the cost of funds incurred by Lender after such due date as a result of not having received such payment when due. Therefore, Borrower shall, in such event, without further notice, and without prejudice to the right of Lender to collect any other amounts provided to be paid herein, including default interest or to declare a default hereunder, pay to Lender to cover such expenses incurred as a result of any installment payment due being not received within ten (10) days of its due date, a "late charge" of five percent (5%) of the amount of such delinquent payment.

Except as otherwise provided herein, the Borrower waives presentment and demand for payment, notice of acceleration or of maturity, protest and notice of protest and nonpayment, bringing of suit and diligence in taking any action to collect sums owing hereunder and agrees that its liability on this Note shall not be affected by any release or change in any security for the payment of this Note or release of anyone liable hereunder. No extension of time for the payment of this Note, or any installment or other modification of the terms made by the Lender with any person now or hereafter liable for the payment of this Note, shall affect the original liability under this Note of the Borrower, even provided the Borrower is a party to such agreement.

In no event whatsoever shall the amount paid, or agreed to be paid, to the holder of this Note for the use, forbearance or retention of the money to be advanced hereunder ("Interest") exceed the maximum amount permissible under applicable law. If the performance or fulfillment of any provision hereof or of the Agreement or any other document between Borrower and the Lender of this Note shall result in Interest exceeding the limit for interest prescribed by law, then the amount of such Interest shall be reduced to such limit. If, from any circumstance whatsoever, the Lender of this Note should receive as Interest, an amount which would exceed the highest lawful rate, the amount which would be excessive Interest shall be applied to the reduction of the principal balance owing (or, at the option of the Lender, be paid over to Borrower) and not to the payment of Interest.

If any provision hereof or any provision of the Agreement shall, for any reason and to any extent, be invalid or unenforceable, then the remainder of the document or instrument in which such provision is contained shall not be affected thereby but instead shall be enforceable to the maximum extent permitted by law.

Borrower and Lender hereby knowingly, voluntarily, and intentionally waive any rights they may have to a trial by jury in respect of any litigation based hereon or arising out of, under or in connection with this note or any course of conduct, course of dealing, statements (whether oral or written) or actions of the other party.

#### Exhibit "B" to Loan Agreement

This Promissory Note shall be construed in accordance with the laws of the State of Colorado.

IN WITNESS WHEREOF, Borrower has duly executed this Promissory Note as of the day and year first above written.

day and year first above written.	
	BORROWER:
	FORT COLLINS URBAN RENEWAL AUTHORITY, a public body corporate and politic of the State of Colorado.
	By:
	Dated:
ATTEST:	
·	
URA Secretary	
APPROVED AS TO FORM:	
URA Attorney	•

### **Attachment 3: Proforma for Proposed Prospect South Loan Refinance**

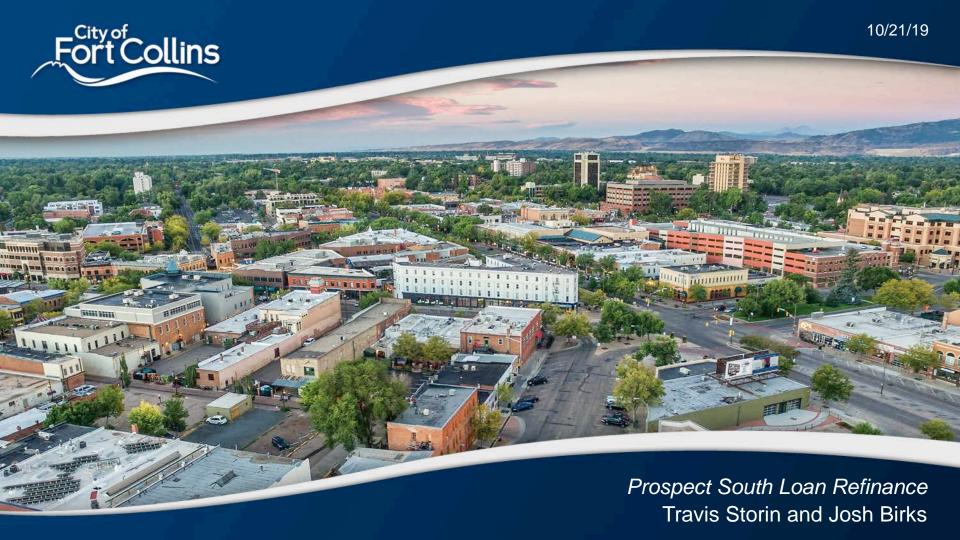
<u>Assumptions</u>

URA Mill Levy 91.634
AV Reassessment Rate 2.00%
AV Off Cycle Growth Rate 0.50%

					Current Deb	ot Service	Refinancii	ng Scenarios (No		ce Coverage Ra	tio and interest o	earnings)		Savings	
	FYE	Assessed Value	Fst Mill Levy	Est. TIF Revenues	Total Debt Service	Debt Service Coverage Ratio	BBB+	Debt Service Coverage Ratio	A	Debt Service Coverage Ratio	AA-	Debt Service Coverage Ratio	BBB+	A	AA-
		i issessed Tailde	250 111111 2017	\$ 15,734,281		nacio	\$ 6,343,395	1.94x Min			\$ 6,150,782	2.01x Min			
Historical	2018		90.828	,		1.25x	\$ -		\$ -		\$ -		\$ - \$	\$ - ;	<del>-</del>
D !'	2019	6,690,467	91.634	613,074	455,172	1.35x	-	4.04	-	4.00	-	2.04	-	-	452.072
Prelim.	2020	7,975,601	91.634 91.634	730,836	516,851 518,678	1.41x	376,033	1.94x	366,616		·	2.01x	—	150,235	153,973
Projected	2021 2022	8,015,479 8,175,789	91.634	734,490 749,180	528,877	1.42x 1.42x	371,189 375,909	1.98x 1.99x	361,709 361,932	2.03× 2.07×	,	2.02x 2.06x	· · · · · · · · · · · · · · · · · · ·	156,969 166,946	155,484 165,183
	2022	8,216,668	91.634	752,926	530,750	1.42x	375,159	2.01x	361,807	2.077	,	2.00x 2.07x	,	168,944	166,901
	2024	8,381,001	91.634	767,985	541,191	1.42x	374,549	2.05x	361,834			2.07x 2.14x	,	179,356	181,891
	2025	8,422,906	91.634	771,825	470,802	1.64x	373,699	2.07x	366,634	2.11>	,	2.15x	,	104,168	111,183
	2026	8,591,364	91.634	787,261	320,336	2.46x	372,472	2.11x	365,829	2.15>	364,319	2.16x	(52,136)	(45,494)	(43,984)
	2027	8,634,321	91.634	791,197	320,336	2.47x	375,992	2.10x	364,779	2.17>	363,544	2.18x	(55,656)	(44,444)	(43,209)
	2028	8,807,007	91.634	807,021	326,393	2.47x	373,992	2.16x	363,619	2.22>	362,524	2.23x	(47,599)	(37,226)	(36,131)
	2029	8,851,042	91.634	811,056	326,393	2.48x	371,439	2.18x	361,922	2.24>	360,827	2.25x	(45,046)	(35,529)	(34,434)
	2030	9,028,063	91.634	827,278	332,572	2.49x	373,464	2.22x	364,817	2.27>	363,722	2.27x	(40,892)	(32,245)	(31,150)
	2031	9,073,203	91.634	831,414	332,572	2.50x	375,064	2.22x	362,317	2.29>	361,072	2.30x	(42,492)	(29,745)	(28,500)
	2032	9,254,668	91.634	848,042	338,874	2.50x	371,229	2.28x	364,539	2.33>	,	2.33x	, , ,	(25,665)	(24,420)
	2033	9,300,941	91.634	852,282	338,874	2.52x	372,094	2.29x	366,349	2.33>	,	2.37x	` ′ ′	(27,475)	(21,388)
	2034	9,486,960	91.634	869,328	345,302	2.52x	372,507	2.33x	· ·	2.40	,-	2.40x	( / - /	(17,434)	(16,640)
	2035	9,534,394	91.634	873,675	345,302	2.53x	372,457	2.35x	· ·	2.40	,	2.41x	( / - /	(18,524)	(17,895)
	2036	9,725,082	91.634	891,148	351,859	2.53x	371,934	2.40x	364,477	2.45>	,	2.45x	, , ,	(12,618)	(12,158)
	2037	9,773,708	91.634	895,604	351,039	2.55x	(5,788)		(7,541)	)	(10,476)		356,827	358,580	361,514

#### Notes:

BBB+ scenario assumes current rates plus 25 bps as of 9/26/2019
A and AA- scenarios assume current BQ rates as of 9/26/2019
AV = Assessed Value







Does the Finance Committee agree with moving forward with the proposed loan refinance and the associated moral obligation?

What additional information would be useful prior to presenting this item to the URA Board or City Council?





### **The Summit Timeline**

September 6, 2011

**TIF District Created** 

**September 13, 2011** 

Authority approved reimbursement agreement

August 2013

Capstone requested reimbursement

**November 5, 2013** 

City Council and Authority approved loan agreement

### **Prospect Station Timeline**

October 2013

Redevelopment Agreement approved September 2014

Prospect Station requested reimbursement

**November 18, 2014** 

Authority approved loan agreement

**December 16, 2014** 

City Council approved loan agreement





- \$5 million loan from General Fund to URA for eligible expenses for The Summit
  - 24-year term
  - 2.68% interest rate (vs. policy rate of 4.96% gap of \$1.77M)
  - 50% of future unencumbered revenue to repay gap
- Water Fund loan for Prospect Station
  - 23-year term
  - 4.5% interest rate
  - Reimbursement amount = \$247,000



# Summary of Available Options



### **Do nothing**

1) URA continues to repay City loans and provide a revenue share up to the cap



# Refinance (URA revenue bonds)

- 2) City pledges its moral obligation
- 3) City does not pledge its moral obligation



# Is a Refinance Recommended?

Currently the URA is paying an interest rate of 4.5% on the two City loans.

- The City loans were critical to the Prospect South area.
- A portion of the interest on the \$5mm loan is on a revenue sharing basis and not due until revenues are available.



With today's low interest rates on tax-exempt bonds, the URA will see a true interest rate somewhere between 2.587% and 2.929%, depending on the rating received.



In dollars, that savings is estimated to be between \$794 and \$986 thousand between 2020 and 2037.



# What Impacts the Rating?

### Strengths

### Fairly mature TIF

 Coverage of annual debt service is around 2 times

Oversight and government confidence in the project

City's moral obligation

### Weaknesses

### Concentrated tax base

While there are 111
 property owners, the
 top ten account for
 over 80% of the
 assessed value





- 18 Year Term (Remaining Life of the URA)
- Semiannual Payments starting in June 2020
- Last payment December 2037
- Borrowing
  - Issue Costs\*\$ 0.2M
  - Project Amounts 5.1M
  - Total \$ 5.3M



# **Anticipated Payments**

# **Current**

- 2.68% Interest Rate
- Debt Service
  - \$297,000 (2019)
- Revenue Share
  - Backfill additional interest per policy (4.96%)
  - \$158,000 (2019)
- \$455,000 2019 Debt Service

### New Loan by Rating\*

- AA- Rating
  - 2.6% Interest Rate
  - \$363,000 Debt Service
- A Rating
  - 2.7% Interest Rate
  - \$366,000 Debt Service
- BBB+ Rating
  - 2.9% Interest Rate
  - \$376,000 Debt Service

<sup>\*</sup>Market rates as of 9/26/19; subject to change



# Proposed Refinancing Timeline

10/1 – 11/5

Draft and perfect the transaction documents.







10/21

Meet with the Ft. Collins

Finance

Committee to

request/recom

mend granting Moral

Obligation.







11/19

City Council

Meeting for Moral

Obligation





12/3

Post POS and

Notice of Sale





12/26

Close

transaction/Dist

ribute funds

10/14

Meet with the URA Finance Committee. 11/7

URA Board Meeting 11/21

Rating Call or Meeting 12/12

Sell bonds





Current property values' annual growth shows excess revenue after debt service of this new debt to be between \$8.2 and \$8.4 million

 Provides the URA with other incentive options to encourage development and additional property tax revenue

Moral obligation from City represents a non-binding covenant to make up for any shortfall in URA debt service

 The City's moral obligation can be worth 4-5 credit rating notches above a TIF-only pledge





Does the Finance Committee agree with moving forward with the proposed loan refinance and the associated moral obligation?

What additional information would be useful prior to presenting this item to the URA Board or City Council?