

**GRAND JUNCTION CITY COUNCIL  
WORKSHOP**

**MONDAY, JUNE 2, 2014, 5:00 P.M.  
CITY AUDITORIUM  
250 N. 5<sup>TH</sup> STREET**

*To become the most livable community west of the Rockies by 2025*

- 1. Discussion with the DDA/DGJBID Boards:** Grand Junction City Council met with the jointly appointed Grand Junction Downtown Development Authority (DDA)/ Downtown Grand Junction Business Improvement District (BID) Board of Directors on April 21, 2014, to discuss general issues related to Downtown and the specific activities and current concerns of the DDA and BID.

This workshop session focuses more narrowly on two topics previously introduced: the renewal of the DGJBID and the introduction of greater flexibility in the utilization of TIF resources for redevelopment activities in the district.

[Attach W-1](#)

- 2. Board Reports**
- 3. Other Business**



## **CITY COUNCIL STAFF REPORT WORKSHOP SESSION**

Date: May 30, 2014  
Author: Harry Weiss  
Title/ Phone Ext: DDA Exec.  
Director, ext. 4134  
Proposed Meeting Date:  
June 2, 2014

**Topics:** Downtown Grand Junction Business Improvement District Renewal  
Flexibility in Utilization of TIF

**Staff (Name & Title):** Harry M. Weiss, Executive Director, GJDDA

### **Summary:**

Grand Junction City Council met with the jointly appointed Grand Junction Downtown Development Authority (DDA)/ Downtown Grand Junction Business Improvement District (BID) Board of Directors on April 21, 2014, to discuss general issues related to Downtown and the specific activities and current concerns of the DDA and BID.

This workshop session focuses more narrowly on two topics previously introduced: the renewal of the DGJBID and the introduction of greater flexibility in the utilization of TIF resources for redevelopment activities in the district.

### **Background, Analysis and Options:**

Two background memos have been prepared for Council's review prior to the meeting, one addressing the BID renewal process and the second expanding on the topic of greater flexibility in use of TIF resources.

### **Board or Committee Recommendation:**

The BID Board is recommending specific measures with regard to the BID renewal question, affirming the consensus of opinion expressed in the last joint meeting and setting forth a calendar for public education and input leading to a final renewal decision by City Council.

More flexible utilization of TIF resources is discussed from a policy perspective with examples of specific mechanisms.

### **Financial Impact/Budget:**

No new budget items are contemplated here.

Potential changes in Tax Increment Financing (TIF) policies are explored.

### **Legal issues:**

The BID renewal anticipates the necessity of a new ordinance in Fall 2014 authorizing the extension of the BID beyond its current sunset date of January 1, 2016. The BID

renewal as contemplated does not require the submission of a ballot question to the BID electors.

The introduction of greater flexibility in the use of TIF resources anticipates the necessity of a new Council resolution superseding Resolution 130-01, and the submission to the DDA electors of a new ballot question revising the current restrictions on TIF utilization.

**Other issues:**

None.

**Previously presented or discussed:**

This is a continuation of discussions initiated at the April 21, 2014 City Council work session with the DDA/BID Board.

**Attachments:**

1. BID Renewal Recommendations
2. Greater Flexibility in the Utilization of TIF Resources

## **DOWNTOWN GRAND JUNCTION BUSINESS IMPROVEMENT DISTRICT RENEWAL CONSIDERATIONS**

### **Establishment of the DGJBID**

The Downtown Grand Junction Business Improvement District (DGJBID) was established pursuant to the procedures detailed in the Business Improvement District Act (CRS 31-25- 12) *et. seq.*

Formation of a BID is a two-step process. First, a petition must be submitted to the City Council requesting the formation of a BID. The petition must be signed by property owners in the proposed district who represent 50% of both the acreage and the total assessed property value of the district. Upon validation of the petition, City Council sets a public hearing for the consideration of an ordinance formally creating the BID. City Council, with public input, makes the final determination regarding the establishment of the BID, including the final boundaries of the district. There is no statutory requirement that the establishment of a BID be authorized or ratified by a majority vote of the district's electors; however, depending on the exact form of a BID's funding mechanism the TABOR amendment is a consideration.

The petition requesting the formation of the DGJBID represented 50.02% of the acreage of the district and 62.41% of the total assessed property value. Ordinance 3815 establishing the DGJBID was adopted by City Council on August 17, 2005. As further described later in this memo the district's electors approved the November 2005 ballot questions and the DGJBID became effective January 1, 2006. Ordinance 3815 imposed a 10 year term on the DGJBID.

### **Funding of the DGJBID**

There are a variety of public funding mechanisms allowed to BIDs under state law, including ad valorem tax levies, special assessments, and authorization of debt. The costs of services provided by the DGJBID are funded by a Special Assessment calculated on the square foot area of land and the square foot area of first floor building space of commercial properties in the district. A tiered rate structure assesses property on Main Street at a higher rate than properties located off of Main Street. State statute provides that the rate may be increased up to 5% each year at the discretion of the BID Board. In addition to the funds derived from the assessment, the DGJBID receives revenue from special events, sponsorship support from the community, and a contribution from the DDA and the City.

Under the BID statute, a special assessment to fund services can be imposed by the Board of Directors by adoption of a resolution, but does not require a vote of the BID electors to approve the assessment; however, TABOR overrides the BID statutory provisions, and thusly, required an initial ballot authorization of the district electors. Subsequent to the passage of Ordinance 3815, ballots concerning the authorization of the special assessment were distributed to 517 eligible district electors; 187 ballots were returned with 100 voting to approve the assessment and 87 opposed.

### **Sunset/Renewal of the DGJBID**

Ordinance 3815 established the DGJBID for an initial ten-year term, after which it would expire if not renewed. The BID statute provides for the perpetual existence of BIDs, but also allows the local governing body to impose limitations and conditions on a BID at

the time of its establishment. Ordinance 3815 does not prescribe a procedure for renewal; however, the legal authority to renew the BID rests solely with City Council. Renewal can be acted upon by City Council at any time before the expiration date (January 1, 2016) through the passage of a new ordinance extending the term of the operation of the BID. As with the consideration of all ordinances, a first and second reading with a public hearing is required.

The sunset/renewal condition was not legally required to be included in the ballot question authorizing the special assessment funding for the DGJBID. Non-renewal of the DGJBID would dissolve the organization and its authority to raise revenue. Renewal of the DGJBID would perpetuate the organization under the existing TABOR authorization and leave the current special assessment funding intact. Any change to that funding mechanism such as an adjustment of the rate (other than as allowed by statute) or the introduction of a new funding mechanism, would require a new TABOR ballot authorization.

### **Constitution of the BID Board**

State statute offers four options for the creation of the governing board of a BID:

- City Council itself can constitute ex officio the BID Board; or
- Council may appoint a separate and independent BID Board of Directors drawn from qualified BID constituents as defined in statute; or
- Where a BID is largely contained within an existing DDA, URA, or GID, Council may designate the DDA, URA, or GID Board of Directors as the BID Board; or
- If included in the original petition initiating the BID or subsequent petition by a majority interest of the BID, the Board shall be elected by the electors of the BID.

City Council chose to designate the DDA Board as the BID Board. This choice reflected some concern at the time that a newly created and independent Board might not have sufficient experience in the management of public monies authorized for the BID's use, whereas the DDA had a long history of financial accountability and management.

## **RECOMMENDATIONS OF THE DGJBID BOARD OF DIRECTORS REGARDING RENEWAL**

### **The DGJBID Board recommends that City Council renew the DGJBID in its present form with its present funding authorization in place.**

The BID plays a unique role in Downtown. Its current functions of marketing and promotion, as well as other statutory purposes it might pursue in the future, are essential to the success of Downtown. It complements the functions of the DDA (which cannot legally fulfill the functions of the BID) and is immeasurably important to the health of the core commercial activities that form the foundation of the Downtown economy.

The prior model of a volunteer association - the Downtown Association (DTA) - providing marketing, promotion and special events production/promotion services was found to be unsustainable and in many aspects inequitable. The adoption of the BID has addressed in part the concern for sustainability and equitable participation, but it remains a work in progress that must adapt to new circumstances and challenges to achieve greater effectiveness.

As additional services or programs are contemplated for the future, appropriate funding authorizations would be required to expand revenue beyond the existing approved special assessment, and beneficial changes in organizational structure can be developed under the existing governance structure of the joint DDA/DGJBID Board of Directors.

**The DGJBID Board recommends that City Council decide the renewal question no later than Fall 2014.**

The DGJBID is required to file its annual budget and operating plan for the coming year by September 30. As the renewal question has major implications for the content of the operating plan, the Board requests that City Council take up the renewal decision on or before that date in order to coordinate with the approval of the 2015 operating plan. As no ballot authorization for the renewal is required, there is no need to schedule the renewal decision around either the November 2014 general election or the April 2015 municipal election.

**The DGJBID Board will solicit and facilitate the participation and input of the District's constituents regarding the renewal question through the summer to share with City Council.**

The DGJBID Board will undertake a communication program to inform and educate the District's constituents about the renewal process and its associated issues. Additionally the Board will conduct a series of general meetings and focus groups with district constituents to document opinion about the DGJBID' renewal, and its programs, services, and organizational effectiveness, including polling where appropriate and useful.

## **GREATER FLEXIBILITY IN UTILIZATION OF TIF RESOURCES**

### **DDA Capital Project Funding**

The DDA has two primary sources of project capital:

- TIF-financed debt for new TIF-eligible projects
- Unrestricted working capital recovered from prior capital projects or allocated from operating reserves which can be used for non-TIF eligible economic development activities.

### **TIF Restrictions**

Currently TIF resources may only be used for capital expenses associated with the elimination of slum and blight, and the construction or improvement of public facilities. Any use of TIF for general operating expenses is strictly prohibited (other than direct administrative costs associated with a capital project), and the utilization of TIF for non-capital economic development purposes is also prohibited.

### **Accessing TIF through Debt**

TIF dollars may only be used for the repayment of debt incurred and the associated costs of debt financing. For large capital projects this typically entails the issuance of bonds and the pledging of future TIF revenues to service the bond payments. Historically this is how the DDA has funded most of its capital projects.

DDA borrowing options are not restricted to bond financing alone. Any form of authorized debt may be repaid with TIF dollars, provided the project being funded is a TIF-eligible undertaking. For example, the construction of the second phase of the Uplift Project was funded by a loan from the City which the DDA subsequently paid off with proceeds of our 2012 bond issuance. In this instance the DDA did ultimately use bond monies in a refinance scenario, but the initial debt instrument was the loan from the City.

With the reduction in TIF funding that resulted from the 20 year extension of the DDA, and the fact that the DDA is already servicing a ten-year bond at approximately \$950,000 annual debt service, the DDA is projecting around \$800,000 of additional unallocated TIF revenues annually over the next ten years. Our existing bond covenants require the maintenance of annual debt reserves, but once met the excess TIF revenues can be accessed for other projects. The existing bond covenant would require subordination of any additional bond debt incurred.

One strategy available to the DDA is a pay-as-you-go approach to projects rather than incurring long-term debt through a larger bond issuance. The DDA's desire to stimulate private sector investment in real property development lends itself to a pay-as-you-go approach for smaller project investments. The most simple and cost-efficient mechanism available is a revolving line of credit whereby the DDA can borrow funds for TIF-eligible projects and pay back the line of credit with TIF revenues. If paid back immediately from accumulated TIF reserves, interest is avoided and the cost of debt is minimized. Of course conventional commercial loans and mortgages are other debt instruments that can be utilized as well, though they are multi-year commitments that must be subordinated to existing bond service.

The pay-as-you-go, line of credit strategy is being pursued in both Fort Collins and Longmont whose DDAs, like ours, were recently extended and as a result, whose TIF revenues have been significantly curtailed.

### **Public-Private Partnership Opportunities**

The DDA's ready access to capital at favorable financing terms is without a doubt its greatest strength and its major tool for economic development. Under current restrictions, capital improvement projects take the form of sunk capital costs in public infrastructure that help set the stage for private investment, but do not directly leverage private equity investment in downtown redevelopment. Greater flexibility in the utilization of TIF resources offers the opportunity to marry TIF resources with private investment dollars for redevelopment projects. Where a public facility component can be programmed in a development proposal, existing TIF resources could be accessed for that portion of a project. Without such a component, the DDA's potential to attract and incent private investment is much more limited.

The City of Grand Junction and the DDA have accomplished a great deal of public improvements through the partnership of the two public organizations. Adjusting financial constraints to better accommodate a broader range of development scenarios with private partners offers an equally potent strategy focused on direct private investment in the district and the resulting enhancement of tax revenues and the TIF.