



**Grand Junction Downtown Development Authority
Grand Junction City Council
Joint Meeting**

Thursday, November 13, 2014, 12:00 pm
East Wing Whitman School,
248 South 4th Street, Grand Junction, CO

AGENDA

12:00 pm Discussion Items:

Establishment of Line of Credit *Attach 1*

Implementing Flexibility in Use of TIF *Attach 2*

**Renewal of the Downtown Grand Junction
Business Improvement District** *Attach 3*

**Management and Operation of
Downtown Parking System**

1:00 pm Adjourn



Date: 11/10/2014

Author: Harry Weiss

Title/ Phone Ext: 256-4134

Proposed Meeting Date:
11/13/2014

Attach 1

CITY COUNCIL STAFF REPORT WORKSHOP SESSION

Topic: Establishment of a Line of Credit for the DDA
Staff (Name & Title): Harry Weiss, DDA Executive Director Jay Valentine, COGJ Internal Services

Summary:

The DDA Board of Directors is requesting Council approval for the establishment of a line of credit for the DDA to access tax increment revenues for projects authorized under the DDA’s Plan of Development.

Background, Analysis and Options:

Tax Increment Financing: Requirement for Debt

Tax Increment revenues may only be expended for the repayment of debt and associated costs of debt financing pursuant to CRS 31-25-807(3)(a)(II):

That portion of said property taxes or all or any portion of said sales taxes, or both, in excess of such amount shall be allocated to and, when collected, paid into a special fund of the municipality for the payment of the principal of, the interest on, and any premiums due in connection with the bonds of, loans or advances to, or indebtedness incurred by, whether funded, refunded, assumed, or otherwise, the municipality for financing or refinancing, in whole or in part, a development project within the boundaries of the plan of development area...

TIF Debt Options

Historically the DDA has undertaken large capital projects financed through the issuance of bonds and pledging future tax increment revenues for debt service. DDA borrowing options are not restricted to bond financing alone; any form of authorized debt, e.g. commercial loans, mortgages, advances, etc., may be repaid with Tax Increment dollars.

One strategy available to the DDA is a pay-as-you-go approach to financing projects based on accumulated Tax Increment revenues rather than incurring long-term debt and pledging future revenues. 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 as needed for TIF-eligible projects. When paid back immediately from accumulated revenues, debt-issuance costs and interest-carry is

avoided, minimizing the cost of capital. The pay-as-you-go, line of credit strategy is currently implemented by the DDAs in Fort Collins and Longmont.

Source of Line of Credit

The DDA has traditionally obtained financing for its projects from the private sector. For the second phase of the Uplift Project, the COGJ advanced funds during construction which were repaid with the proceeds of the 2012 bond issuance. Either the private sector or the COGJ could provide the line of credit contemplated. It has been the DDA's preferred practice to place its debt with banks located within the DDA district.

Access/Approval of Line of Credit Draws

In addition to the management and oversight of the DDA Board of Directors, all DDA projects are subject to the review and approval of City Council, first through the amendment of the DDA's Plan of Development, and subsequently through the annual budgeting and appropriation processes. If additional oversight is deemed necessary, authorization of line of credit draws could be vested with the City Finance Director and/or City Manager.

Board or Committee Recommendation:

DDA recommends the establishment of a line of credit as an additional debt instrument as required under state statute for utilization of tax increment revenues.

Financial Impact/Budget:

Projected DDA Tax Increment Revenues

Based on current tax increment allocations, the DDA's projected total annual tax increment revenue averages \$1,849,723 in FY2013 through FY2022.

Existing DDA Indebtedness

In December 2012 the DDA borrowed \$7,125,000 through a bond issuance for the following purposes:

- repayment of the construction loan from the COGJ for the Main Street Uplift improvements
- the DDA's \$3,000,000 contribution to Avalon Theatre Renovation and Expansion project
- refinancing of the remaining balance of the DDA's bond issued in 2009 and maturing in 2012

Annual debt service payments over the ten-year bond term averages \$910,009. The bond requires a 1.0 debt coverage reserve. Annual tax increment revenues in excess of current annual debt obligations averages \$939,714 per year over the next nine years. These funds constitute the largest source of capital available for future DDA projects.

All TIF projects are subject to annual budgeting and appropriation processes before spending can occur. A line of credit offers a more cost-effective option for the DDA by reducing issuance costs and interest-carry associated with traditional long-term debt instruments.

Legal issues:

COGJ must authorize the DDA's debt instruments.

Other issues:

Additional oversight and approval mechanisms can be instituted as Council deems necessary.

Previously presented or discussed:

This topic has been discussed at two previous meetings of the City Council with the DDA.

Attachments:

None.



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Attach 2

CITY COUNCIL STAFF REPORT WORKSHOP SESSION

Topic: Expansion of TIF Utilization to Include Non-Public Facilities
Staff: Harry Weiss, DDA Executive Director

Summary:

The DDA Board of Directors is requesting a change in Council policy to allow the use of TIF in capital projects that do not contain a public facility component. This change in policy is a condition precedent to the submission of a new TABOR ballot question to DDA Electors in the April 2015 election.

Background, Analysis and Options:

At present Tax Increment Financing can only be used for the capital expenses and the direct administrative costs associated with public facilities/projects. This derives from two legal instruments:

- 1) the TABOR ballot authorization that was presented to and approved by the DDA Electors at the time of the 20-year extension of the TIF in 2011, and
- 2) COGJ Resolution No.130-01 adopted 5 December 2001.

Specifically the language defining the types of authorized projects reads “...TO FINANCE STREETS, PARKS, PLAZAS, PARKING FACILITIES, PLAYGROUNDS, CAPITAL FACILITIES, PEDESTRIAN MALLS, RIGHTS-OF-WAY, STRUCTURES, WATERWAYS, BRIDGES, ACCESS ROUTES TO ANY OF THE FOREGOING, DESIGNED FOR USE BY THE PUBLIC GENERALLY OR USED BY ANY PUBLIC AGENCY...”

The DDA has pursued a fairly traditional approach to downtown redevelopment over its 33 year history. The majority of its resources have been invested in improving public infrastructure and facilities, thereby setting the stage to attract private investment in business and real property development. However, the Great Recession and the lagging recovery of the Western Slope have dramatically impeded new private investment that would capitalize on and leverage the DDA’s prior investments in public infrastructure.

The Board of Directors believes more direct involvement of the DDA that leverages private investment in the redevelopment of private property is a critical strategy for the next phase of Downtown’s revitalization. Stimulating and incentivizing investment in private property redevelopment will produce new net ad valorem tax revenues and grow the increment basis of Downtown.

The DDA has approximately \$400,000 of unrestricted capital and some discretionary operating funds available to pursue this strategy. However, the TIF comprises the most significant and sustainable source of DDA capital for leveraging private investment, yet it remains unavailable for this strategic objective.

In addition to amending Council policy through the adoption of a new resolution to replace 130-01, expansion of the authorized uses of TIF depends upon the approval of a new TABOR ballot question by the DDA Electors. The DDA Board of Directors recognizes City Council's endorsement of this policy change as the first action necessary prior to drafting a new ballot question for consideration in the upcoming April 2015 election. Mid-February 2015 is the deadline for submitting the ballot question for that election cycle.

Board or Committee Recommendation:

DDA recommends the expansion of the authorized uses of TIF to include capital projects on private property that do not include a public facility component.

Financial Impact/Budget:

All TIF projects are subject to annual budgeting and appropriation processes before spending can occur. This change in policy does not affect near-term tax increment revenues, though incentivizing direct investment in taxable private property will grow the increment and ad valorem tax revenues.

Legal issues:

The Downtown Development Authority Act (CRS 31-25 Part 8) defines the purposes and statutory authorized activities of DDAs and sets forth the TIF mechanism. DDAs may undertake a variety of activities to improve downtowns including both physical development projects and economic development initiatives. The statute allows a broader range of projects than specified in the documents cited above.

City Council action on this policy change would be in the form of a new resolution superseding Resolution 130-01 to include language expanding the authorized uses of TIF.

Pursuant to the DDA statute, authorization of TIF uses requires approval by the DDA Electors through a ballot question during a regular election cycle. The next such election is April 2015.

Like all DDA/TIF projects, any new projects that would proceed from this policy change must be included in the DDA's Plan of Development which is subject to Planning Commission review and City Council approval.

Other issues:

None.

Previously presented or discussed:

This topic has been discussed at two previous meetings of the City Council with the DDA.

Attachments:

None.



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Attach 3

CITY COUNCIL STAFF REPORT WORKSHOP SESSION

Topic: Renewal of the Downtown Grand Junction Business Improvement District

Staff: Harry Weiss, DDA/BID Executive Director

Summary:

The Downtown Grand Junction Business Improvement District (BID) Board of Directors is requesting City Council renew the BID which is scheduled to sunset on January 1, 2016.

Background, Analysis and Options:

Downtowns are complex environments unlike any other areas of the community. The diversity of uses, activities, opportunities, and constituencies are essential characteristics that define Downtown, and warrant focused organizational support to promote its success and mediate among its divergent interests. The alternate model of a volunteer-based, non-profit association providing similar services as a BID proved unsustainable and prompted the creation of the BID in 2005.

The BID serves a unique role in Downtown. Its current functions of marketing and promotion are essential to the continuing success of Downtown. It complements the functions of the DDA (which cannot 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 BID statute provides for a range of purposes and activities which allows BIDs to respond to changing circumstances and needs as Downtowns evolve.

Board or Committee Recommendation:

The BID Board of Directors recommends that City Council initiate the process for renewal of the BID rather than wait until 2015 to take up the question.

Financial Impact/Budget:

The BID Annual Operating Plan and Budget is subject to the approval of City Council. The BID is 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. Currently the

assessment generates approximately \$140,000 per year. Additionally, the BID receives vendor and fee revenue from special events, sponsorship support from the community, and contributions from the DDA (\$27,500) and the COGJ (\$13,466).

The BID has operated at a deficit the past three years drawing down a substantial fund balance. The deficit is largely attributable to a precipitous decline in event sponsorship revenues reflective of the larger economic conditions in the community. As a result, the production of special events is being modified to reduce direct event production expenses, to find efficiencies through co-production with other event partners, and to eliminate events which are not aligned with the core mission of the BID.

The BID would continue to request DDA and COGJ contributions at current levels of funding.

Legal issues:

The legal authority to create a BID rests with City Council. Ordinance 3815 enacted the BID subject to sunset after ten years. The BID will terminate January 1, 2016, by operation of law unless City Council affirmatively acts to renew the BID by the adoption of a new ordinance. A public hearing is required.

Other issues:

Previous discussions with City Council have explored statutory alternatives for the governance of the BID. The consensus of Council has been to maintain the governance structure whereby the DDA Board of Directors serves as the BID Board of Directors.

The special assessment funding of the BID will remain unchanged. Renewal of the BID does not necessitate reauthorization of the assessment. Any future change to the assessment formula or implementation of other statutory funding options would require a TABOR ballot authorization by the BID Electors.

Previously presented or discussed:

This topic has been discussed at two previous meetings of the City Council with the DDA.

Attachments:

None.