

DOWNTOWN DEVELOPMENT AUTHORITY  
JUNE 3, 1994

Present: Mark Hermundstad, Joe Skinner, Ed Chamberlin, Mancel Page, Bill Petty, Jean Sewell, DDA Counsel Kathleen Killian, DDA Director Barbara Creasman, DDA Secretary Wendy Schade

Absent: Glen Dennis, Bruce Hill, DDA Council Representative Linda Afman.

CALL TO ORDER

Chairman Joe Skinner called the meeting to order at 7:42 a.m.

MINUTES

Ed made a motion to approve the minutes of May 6. Jean second. Approved.

FINANCIAL REPORT

April 1994 Financial Report - deferred.

TIF

To start the discussion concerning using a portion of the bond proceeds for administration, Joe Skinner was asked to give a brief overview of how TIF is created and how it works. He explained that you start with the base or existing tax revenue. The DDA's 5 mil levy is an additional tax on top of these.

For the 5 mil levy, once the increment is established, the DDA base is treated the same as City & County revenues and no longer increases. If other taxing entities argue that they should continue to receive their share of the increment, the counter argument is, "Without TIF money expended, there would not have been an increase in values." That is why School District had to agree to the use of TIF up front.

It is the intention of the Statute that TIF money not be spent for normal capital improvements, but rather for special projects in blighted areas, as discussed in the Plan of Development. It is anticipated that the City will continue to fund regular capital improvements.

Barbara explained how TIF benefits the City and Downtown. \$1 million in improvements would provide \$290,000 in assessed value. That all goes to the increment.

That value, times the overlapping mil levy of 92 mils equals a total tax of \$26,680 on this incremental one million, because the full value of the improvements is all attributed to the TIF, the TIF revenue retains all of the tax. Without TIF, there would only be \$1450, 5 mils to the DDA base. The City has 8 mils x \$290,000 = \$2,320. By subtracting \$3700, there would still be a net gain of \$23,000 that would not have normally gone to the City and Downtown. TIF is a gain to DDA and City and therefore, our relationship should not be adversarial.

The Plan of Development governs TIF, which is a comprehensive multi-year plan. The City Planning Commission and City Council adopted the Plan. But, over the last few years, the City participation has been ad hoc and fragmented. Council members may change at every election, thus a continual reeducation process may be required. When there are changes in personalities, the whole philosophy may change. Sometimes the only continuity is the staff.

The DDA 5 mil levy and the additional revenues available to Downtown by using TIF are only available because property/business owners voted to establish a DDA taxing themselves and voted to use TIF.

Mark Hermundstad reported on our meeting with the City concerning TIF administrative funds. Mark Achen and Ron Lappi met last week with Jean, Bill, Mark, and Barbara. Achen stated that the philosophical discussion should be between the City Council and DDA Board. The job of this committee is to clarify budget numbers and develop long-range financial scenarios.

The City's budget numbers differ from DDA's, so the first step is to agree on the basic numbers. Mark Achen wants to see a 10 year scenario similar to that of City departments.

This scenario needs to include what would happen if there was a new bond issue. Need to show what would happen to DDA revenue if bonds are refinanced. Also need to ask Russ Caldwell (underwriter of last bond issue) to provide us with some information. Barbara will send Russ a letter, addressing our questions concerning a new issue.

Bill added that Mark Achen's thrust is that DDA shows a shortfall every year. Is that factual, and if so, how have we managed? What needs to be done to assure stable operations? Mark is going to work through numbers, because Lappi is out of the office for the next 30 days.

Question: Council raised the issue of funding DDA operations through general fund monies. Does the Board feel that is an option?

Joe is strongly against the City giving DDA general fund money for operations. The DDA is an arm of the City and benefits the City. Because it is an independent authority, the DDA can do things that the City can not or does not want to do. City may not want to have an advocacy role for Downtown; the DDA does. This advocacy position is one of the primary reasons the DDA was established.

An Authority is not an advisory board. Once established, it has specific ties to the City and specific independent authorities and responsibilities. The City appoints DDA Board members from eligible candidates as determined in the statute and issues TIF bonds approving the designated projects.

Why do DDA's not issue their own bonds? To have a tax exempt bond, must have taxing authority and police power. Because Colorado used the power to condemn in order to construct I-70 going through the mountains and because of the Denver Urban Renewal Authorities' activities in the 70's, it was not thought that the DDA should have the police power to condemn.

The State Statute establishing DDAs was a reaction to this concern. So, DDAs do not have the power to condemn. Police power is not part of DDA. However, DDAs do have a 5 mil levy specific to their use and URAs do not. Both URAs and DDAs can use TIF.

When TIF was instituted, it was necessary to have a police power entity, namely the City.

The role of the City is to approve long-range planning in the Plan of Development, which designates goals and projects. The City has to approve projects in each bond issue, but day to day decisions, such as using a percentage for administration, is DDA Board responsibility.

Mark Achen thinks City Council has ultimate authority to say how DDA funds are spent. Statutes do not state that City controls these funds. The City Finance Director was established as the DDA Treasurer for convenience and economy. The DDA could have hired it's own, but did not.

It was the consensus of the Board that the decision to use TIF funds for administrative costs is the appropriate one.

### **Market Feasibility**

Bill Petty reported on a phone discussion with Mark Achen. Mark feels that a market feasibility study should be targeted to existing developable space rather than the DDA boundaries. Mark suggests that DDA do a marketing study on the 200 block of Main utilizing consultants with expertise in this field. In his opinion, the City would be willing to share in this expense.

In having an outside evaluation of what the best potential use(s) would be and what, under the current market conditions, specific types of inducements might have to be offered, will be of great help in developing targeted marketing of the properties. Such an analysis would provide both the City and DDA a dimension of what to expect when locating a developer and thereby avoid an 11th hour issue that might void a deal.

Mark advised Petty he would prepare a draft memo of his thoughts on this marketing analysis and present to DDA prior to formal presentation to Council.

#### AGREEMENT WITH ARTS COMMISSION

Barbara passed around letter from Sandra Brown. The DDA will receive \$300/month: \$200 rent etc. + \$100 receptionist service. Bill Petty questioned phone charges. The Arts Commission has installed a separate phone line, so there should be no additional cost to the department for phone calls. However, DDA staff will help answer the phone.

Allison Sarmo has been hired as part-time staff. She will report to the Arts Commission, not to City staff. The Commission is appointed by Council.

Bill made a motion to authorize Barbara to sign the contract with the Arts Commission. Mark second. Approved.

#### SUB-GRANTEE AGREEMENT WITH CITY

The City has requested that the DDA administer the \$225,000 Impact Grant being given for the purpose of acquiring and renovating the Avalon. On the grant application, the City was listed as Grantee; the City applied, not the DDA.

Mark and Joe would like City to establish how much the DDA will receive for administering these funds.

Sub-Grantee (General Contractor) is responsible for getting whole project. Need to have short-term agreement with Avalon Board during the period of renovation, which includes the spending of \$225,000 plus the match.

Kathleen would like State to assign all funds directly to DDA. DDA should be approved as the contractor.

State has to approve sub-grantee agreement. Should clarify with Dan Wilson so everything is up front.

## BOARD MEMBERSHIP

Two members terms are expiring; Joe Skinner and Mancel Page.

Joe tendered his resignation on the Board, since he is no longer with Colorado National Bank and is now employed by Norwest Bank. Barbara asked that he would continue to chair until the end of June. Joe said he is glad to help out and is willing to serve on committees, from that day forward, without having an official position on the Board.

Mancel's term is also expiring. He may consider re-applying.

Ed Chamberlin submitted his resignation. He is currently working on four projects that directly relate to DDA activities. He would like to continue to work on committees and continue to get minutes.

An ad requesting nominees for DDA Board has already run in the Sentinel and June Newsletter. No deadline has been established.

In the past, the City Council has not interviewed applicants. The DDA Board makes recommendations. Will make recommendations at next workshop.

Want to keep rotating 4 year terms with two leaving every year. There is some confusion over the existing terms. Need to have City Council ratify terms so everyone is in agreement.

## DIRECTOR'S REPORT

The County's plans for the SO/Jail are on hold. The building on 8th & Main will not be sold in the near future.

The Board needs to reconsider demolition of Plump & Luscious by Partners. At the last meeting, concern was expressed because of the time it takes Partners to do the demolition. The Downtown Association is not concerned if it takes the entire summer for Partners to complete. Feel it is a great way for kids to expend some energy and avoid possible graffiti on other buildings. Need to think about how to get more positive PR. Should get City involved, since Two Rivers is across the street. Barbara will bring cost projections to next workshop. There is more to salvage in this building.

At the last meeting, Bruce stated that he would like DDA to be more aggressive in obtaining new occupants for Woolworths. Barbara currently refers inquiries to the owners. However, the owners do not want the DDA contacting Woolworths directly. DDA should not put owners in a negative negotiating position. The owners are:

Leland Schmidt (west side, lease expires 1/96);  
Jim Golden (middle, lease expires 1/97);  
Shari Raso (east, lease expires 1/97).

Barbara has talked to the owners every few weeks to stay informed. Woolworths has sent a letter to the owners and will consider negotiating a buy-out but nothing specific has been discussed. Woolworths controls the building with leases on Schmidt's til January 1996, and Golden's and Raso's til January 1997.

It was the consensus of the Board that we should continue to refer possible tenants/buyers, but not contact Woolworths directly unless owners want us to be involved.

#### ADJOURNMENT

Jean motioned to adjourn. Bill second. The meeting was adjourned at 9:00 a.m.