

RECORD OF PROCEEDINGS

CITY OF DURANGO
DURANGO RENEWAL PARTNERSHIP
VIRTUAL MEETING
1235 CAMINO DEL RIO, DURANGO, COLORADO
TUESDAY, JANUARY 19, 2021
MINUTES

1. **CALL TO ORDER :** Chair Dean Brookie called the meeting to order at 4:31 p.m.
2. **ROLL CALL :** In Attendance: Assistant City Manager Kevin Hall; Nicol Killian, Assistant Community Development Director; Scott Shine, Community Development Planning Manager; Alex Rugoff, Business Development Coordinator; Mayor Dean Brookie; Mayor Pro-Tem Kim Baxter; Councilor Barbara Noseworthy; Councilor Chris Bettin; Councilor Melissa Youssef; Business Improvement District Board Member, John Mahoney; 9-R Board of Education representative, Andrea Parmenter; La Plata County Assessor, Carrie Woodson and La Plata County Manager Mike Segrest
3. **APPROVAL OF MINUTES :** 3.1. **Approval of Minutes of December 15, 2020**
4. **PUBLIC COMMENTS** 4.1. None.
5. **REPORTS :** 5.1. **MidTown Tax Increment Financing Impact Report Overview**

The Minutes of December 15, 2020 were approved with a grammatical correction.

Scott Shine explained that this report is a complete economic model of what could potentially come from the MidTown Urban Renewal efforts.

Andrew Arnold, Economic Development Planner with SEH, thanked all of the individuals that participated in providing information for this report and then gave an overview of the report. He said the report provides a forecast for future growth that can happen within a URA and the purpose which is to evaluate the potential impacts that growth can have on taxing entities. Mr. Arnold explained the methodology used in making these determinations.

Mr. Arnold presented a map of the Midtown URA, showing various parcels within the area color coded for Development Level I through Development Level 4. The study looked at individual parcels and evaluated their probability of development over 25 years. He explained that there are two kinds of Urban Renewal Areas--- Territorial Project Areas and Development Driven Project Areas. Development Driven Project Areas originate through specific development ideas or a specific business. The MidTown URA is a Territorial Project Area meaning a boundary has been drawn around fifty (50) acres containing 225 parcels, with the goal of incentivizing development in that area.

Mr. Arnold said Development Level 1 has the highest probability of development and the least barriers to redevelopment. Level 4 contains properties that have significant challenges for redevelopment, but are properties identified as places that the public would hope to see changes as part of the MidTown area. These development levels are qualified on the size, type, and how long it would take to absorb each development, and how valuable the

development would be for each level. Each of these development levels were evaluated to estimate the total amount of property tax and sales tax generation they could create over the lifetime of the project (25 years) and the potential tax increment that could be generated.

Based on the assumptions for the type of development, Mr. Arnold explained that the report assumes that there will be an even mix of residential and commercial space, with an area of higher density and mixed use development. He commented that to make housing more affordable, you need to generate TIF and commercial development generates more TIF. Maintaining an even mix of these uses will help achieve the majority of MidTown's goals.

In terms of the size of development the study looked at the current density and intensity of development throughout MidTown. He explained how Floor Area Ratio was used to make comparisons between current density and potential for new development.

Mr. Arnold explained that SEH performed a market study to look at how long it would take to absorb residential and commercial space. Those absorption rates were used to determine how long each development level would take to be completed.

With regard to the value of development, the study researched how new properties have been assessed, and considered the location and zoning in order to make an accurate estimate of how valuable in terms of assessment this new development would be.

Mr. Arnold presented a chart indicating the absorption timelines for the four development levels, and noted all four development levels would take approximately 13 years to complete. These timelines are cumulative, with Development Level 1 projected to be completed in three (3) years. He also provided charts forecasting how many residential dwelling units could be produced and the estimated retail space.

Mr. Arnold explained that the way they forecasted the residential absorption rate was based on multi-family and other higher density housing permits that have been issued over the past ten years. Attainability and affordability was not modeled in this impact report. He commented that the more tax increment that goes toward a residential development, the more assurance there is that this will be at least attainable housing.

Dean Brookie commented that the number of residential units may be underestimated, especially if the development of the air space and subsequent increase in FAR is considered. He also noted that the retail space is what is largely responsible for generating TIF, while residential development is a by-product of the redevelopment.

Mr. Arnold noted that they made a conscious effort to be conservative in these estimates, because impact reports tend to overestimate the amount of tax increment that can be generated.

Kim Baxter commented that the greater the population living downtown, the greater the possibility is that they will spend their money downtown. So the residential uses in this area could have some impact on the sales tax revenues.

Mr. Brookie commented that any deal has to have a good combination of both residential and retail to achieve housing goals, and that is an element that the Urban Renewal Partnership has some

control of.

Barbara Noseworthy referenced a study she has seen on revenue generated based on square footage, and it assumes the amount of revenue generated per square foot in the downtown area was much more based on density and the vertical space available.

There was discussion regarding the repeal of the Gallagher Tax and how that would affect assessment ratios in the future, and how public properties that do not generate tax revenue may have an impact on TIF if they were converted to private development.

Mr. Arnold presented charts showing the existing base value of each development level and the base value of the area after new improvements for that development level over twenty-five years. Scott Shine noted the difference is the tax increment revenue that could be used by the URA to incentivize the upfront development. He presented charts summarizing how much tax increment could be created, including sales tax and property tax, for each development level over 25 years.

Carrie Woodson noted that the hope with redevelopment is that it increases the value of the surrounding properties. So the projections in the report are based on simple cost of living increases. The potential is that once development starts it will increase the value of the surrounding properties, and thus the potential increment. Mr. Arnold noted the importance of determining which properties appreciated due to general market conditions and which properties appreciated because of new investments and improvements that were brought into the MidTown area. That determination will decide what goes into the increment and what goes into the base.

Mike Segrest said that in his experience he hasn't seen the assessor holding the responsibility for determining what increase in value is based on market value versus URA initiatives. Mr. Arnold said that his understanding is that if the properties throughout the City of Durango average an appreciation of 2.5% , and the properties within MidTown are appreciating at a faster rate, that has typically been a point for the URA to say that type of appreciation is attributable to the work of the URA, and that is why that base is being taken. You can move up the assessed base by the general appreciation rate of the City and anything beyond that general rate could be attributed to increment.

Mr. Segrest said that all the URA is looking for in terms of TIF Agreements is the amount of revenue that is derived is kept constant to deal and address with inflation.

Carrie Woodson clarified that the area is not valued property by property, but area by area. So the assessor would look at the URA area and compare it to what other areas are doing. The assessor will have to look at the URA area and determine if it changed the same as the other commercial areas, or was the amount of change greater than the other areas.

Mr. Arnold explained that in subsequent presentations the model will provide data on any development individually and project its tax increment over time, and determine what that purchasing power is at present.

Mr. Arnold concluded his presentation by stating that the MidTown Urban Renewal Project is not expected to negatively impact taxing entities revenues. He noted that the City also collects user fees

for many of the uses within the MidTown area. Mixed use development is expected for this area and that will generate sales tax increment. As more development comes to the area, more revenue will be generated not just for the MidTown area, but for all the businesses in the area. It is anticipated that the URA will be an economic driver for both the City and the County. He noted that the amount of retail space that is conservatively estimated will generate sales tax in excess of the property tax increment that is projected for the County. He said that their recommendation is that the URA should request 100% tax increment where appropriate from its taxing entities to be allocated to the Urban Renewal Authority.

Barbara Noseworthy asked Mr. Arnold to include a footnote in the report to show the present value calculations, because she thinks it's important not to have numbers circulating in the community that are cumulative and don't reflect the purchasing power.

Mike Segrest said that he does not agree that the project will not require any additional County services. The County serves all County residents whether they live in the City or the County. To the extent that there is sufficient housing in the overall project to balance any new housing demand for jobs that are created, that will help to offset or mitigate any impacts. There are a great many people who work in Durango, but live in the County who require County services, and a lot of County services are provided to Durango residents. He cautioned using that assumption, because he doesn't think the County will find agreement with it.

Scott Shine explained that the main focus of the report is on physical infrastructure. There could be impacts on other services the County provides such as health and human services. He said he agreed that assumption needs some refinement and clarification. Mr. Arnold explained that the report just speaks specifically to Colorado's urban renewal laws where physical infrastructure, and physical County services must be stated in the impact report. He said they will refine those statements.

Chair Brookie opened the Public Hearing.

Patrick Armijo asked for a copy of the presentation for this meeting and for a copy of the final impact report.

There was no other public comment, and Chair Brookie closed the Public Hearing.

Andrea Parmenter asked if staff received any feedback or public comment from the public notices that staff sent out. Mr. Shine explained that there were approximately 25 to 30 people in attendance at the neighborhood meeting in November. He and Alex Rugoff have received some emails and phone calls with questions and comments as well. Mr. Rugoff commented that the overall response has been supportive.

5.2. TIF Agreements and MidTown Plan Adoption – Next Steps & Timeline

Scott Shine gave the Board a timeline for meetings with the various taxing entities. The impact report will be a tool to use in these discussions. Staff is also working with the City Finance Department on sales tax projects and will be able to bring those numbers and projected TIF to the Council in early to mid-February. He stated that getting TIF Agreements in place is the final step for adopting the

MidTown URA. Mr. Shine noted there are three or four Special Districts within the MidTown area and the URA may want to allow them to retain their projected increment because of the smaller scale of their operations and to support the services they provide.

Mr. Shine commented that the goals of some of the taxing entities, such as the School District, will be incorporated in the TIF Agreements. This will show the community that this money is being used to address the issues the entire community has acknowledged are important.

5.3. Update on Analysis of City-Owned Sites

Scott Shine updated the Board on the consultant's activities and a technical assistance grant to fund this project. He explained that the consultant has provided examples of documents he has prepared for other communities and, specifically RFP's, for publicly owned sites. When finalized this report will provide a tool for the City to use to draw in more investment for publicly held land and make a bigger impact. The outcome of the consultant's work will be an RFP requesting development proposals for some of the publicly held properties the Board has discussed previously, and a term sheet that outlines the specific objectives of a partnership style development for those properties.

5.4. Developer Outreach Meeting

Alex Rugoff explained that developer outreach meetings have been moved from January to March, so that staff can focus on getting the TIF Agreements in place. He said staff is working with Downtown Colorado, Inc. to host the forum, and to tap into their network of statewide developers in addition to local developers. The Colorado Office of Economic Development has also expressed interest in being involved through their Opportunity Zone program.

6. NEW BUSINESS

Scott Shine said he will forward the Board the portfolio of opportunities that the Board considered before deciding on starting with the MidTown area. Once the MidTown area plan is adopted, the Board can then look at quickly starting the next few plans.

Alex Rugoff said that the results of the poll regarding meeting dates was that the meeting should be held on the second Monday of the month. Therefore, the next meeting will be February 8, 4:30 to 6:00 pm.

7. ADJOURNMENT:

There being no further business the meeting was adjourned at 6:02 p.m.



Dean Brookie, Chairman

Alex Rugoff

Alex Rugoff, Business Development & Redevelopment Specialist

Digitally signed by Alex Rugoff
DN: cn=Alex Rugoff, o=City of Durango,
ou=Community Development,
email=Alex.Rugoff@durangogov.org,
c=US
Date: 2021.04.09 09:58:02 -0500