



ADMINISTRATIVE *Memorandum*

TO: Louisville Revitalization Commission Members

FROM: Anne Ricker

DATE: 11 August 2006

SUBJECT: Response to Boulder County Materials Dated August 9
Project Number: J2944

The impact report and all supporting plans and surveys were provided to Boulder County on July 14th. We received their formal response to these documents on August 9th. We also provided an interim response to questions asked in writing during the week of August 1st. Given the short amount of time within which to respond, we have done our best to address all of their concerns.

Prior to receiving the written response from the County on August 9th, we received an e-mail from Larry Hoyt regarding how items (III) and (IV) of C.R.S. 31-25-10 were addressed in the impact report. The language of the last two paragraphs in the impact report were intended to provide this information and any failure to clarify the matter sufficiently for the County was an inadvertent oversight [See Subsection (b) - no cause of action or invalidation of the Plan upon inadvertent failure to provide the Plan or impact report, much less please the County with its contents]. A further explanation to his question is provided below.

C.R.S. 31-25-107: APPROVAL OF URBAN RENEWAL PLANS BY THE LOCAL GOVERNING BODY

- (3.5) “Prior to the approval of an urban renewal plan, the governing body shall submit such plan to the board of county commissioners, which shall include, at a minimum, the following information concerning the impact of such plan:
- I. The estimated duration of time to complete the urban renewal project;
 - II. The estimated annual property tax increment to be generated by the urban renewal project and the portion of such property tax increment to be allocated during this period to fund the urban renewal project;
 - III. An estimate of the impact of the urban renewal project on county revenues and on the cost and extent of additional county infrastructure and services required to serve development within the proposed urban renewal area, and the benefit of improvements within the urban renewal area to existing county infrastructure;
 - IV. A statement setting forth the method under which the authority or the municipality will finance, or that agreements are in place to finance, any additional county infrastructure and services required to serve development in the urban



renewal area for the period in which all or any portion of the property taxes described in subparagraph (ii) of paragraph (a) of subsection (9) of this section and levied by a county are paid to the authority; and

- V. Any other estimated impacts of the urban renewal project on county services or revenues.

In summary, and regarding “the impact of the urban renewal project on county revenues and on the cost and extent of additional county infrastructure and services required to serve development within the proposed urban renewal area” there do not appear to be any additional county infrastructure requirements required to serve developments in the proposed urban renewal area. Further, the Commission does not contemplate that the County will have to provide any public improvements, police, fire, utility or other specific services to serve such development as the property is entirely located within the municipal boundaries of the City and will therefore be served by the City. Finally, any additional demands (direct or indirect) on County services due to a general increase in population within the area should be more than offset (as are all other such costs) by increases in the base assessed value due to the periodic adjustment in the base assessment roll, increase in County sales tax revenues, and backfill provided by the State of Colorado.

On Page 2 of the cover letter, the County’s statement regarding use of the sales tax and corresponding use of the property tax, are addressed in detail in response to item No. 4 under County Impact Analysis (Louisville Urban Renewal / TIF Plan).

Also on Page 2, the County states, “The 230 properties encompassed in your Plan includes far more territory than is defined in your Highway 42 Revitalization Area Plan / transit-oriented development. For example, the Plan includes all of Downtown Louisville, the currently developed areas north of downtown including the Safeway and the King Soopers shopping centers, Christopher Plaza, and the ‘Old Pow Wow Grounds.’ From our perspective, this conflict in territory definition is confusing.”

Response – We apologize for any confusion created, but would remind the County that while the objective of the Urban Renewal Plan is to advance the goals and objectives of the Comprehensive Plan and any other policy document or plan which speaks to the vision for the area, the boundaries of an urban renewal area are defined with consideration of numerous factors including: presence of adverse conditions, planned infrastructure, desired improvements, timing of investment, type of potential investment, community support and concentrations of resident vs. non-residential land uses. Ultimately, it was the decision of the LRC that the final plan boundaries include the properties north of South Boulder Road as they also are in need of redevelopment and that other project activities within this area would be needed to advance the planning and development objectives defined in the Plan. Every attempt was made to draw the boundaries of the URA as narrowly as possible.

Under the discussion, Outline of Services Provided to All Residents of Boulder County, the County states “Some municipal leaders have questioned how many services their city or town residents actually receive from the county, and speculate that most county services are directed towards unincorporated residents.” The County goes on, later in



their response, to estimate a per capita expenditure of \$368 for Louisville residents based on a County-wide average for both incorporated and unincorporated residents, and incorporated residents regardless of municipality.

Response: We explain in the discussion which follows why this intuitively seems an incorrect assumption. We would suggest that the only way to accurately quantify the impact by Louisville residents on the County budget within the departments listed in their response would be to determine, by department, the amount of revenue that comes from property taxes, and then isolate how many Louisville residents accessed these department services. Our understanding from discussions with representatives of the State of Colorado and other counties is that the state goal is to reimburse counties 80% of their social service expenses, but that this figure can fluctuate within 10% to 15% depending on actual allocations and programs provided. Assuming at least a 20% contribution from the County in this category, and using the list provided we are left with: assessor's office, clerk & recorder's office, courts, parks, not land use as there is a disproportionate amount spent on unincorporated residents, surveyor's office, transportation, and treasure's office. As stated above and in the impact report, we believe "any additional demands (direct or indirect) on County services in these departments due to a general increase in population within the URA should be more than offset (as are all other such costs) by increases in the base assessed value due to the periodic adjustment in the base assessment roll and increase in County sales tax revenues that are not earmarked for other uses, i.e., open space.

Under the discussion, Blight Issues/ Louisville Urban Renewal / TIF Plan, the County states, "We have maintained for years that the Urban Renewal statute is overly-broad in reference to 'blight' designation ..."

Response: The conditions survey was completed within the guidelines of the current legislation and believe it to be legally-defensible.

Under this same discussion, the County states that they "disagree that the old Rodeo Grounds ... constitutes 'blight' ..." They go on to say, "we find it very hard to believe that the three shopping areas north of South Boulder Road ... constitute genuine 'blight' conditions necessitating a TIF for renovation."

Response: The urban renewal legislation is fairly specific in its requirement that TIF dollars be used to correct conditions of blight and that reinvestment dollars have a direct public benefit. If the County were to look at the field ledger presented in the Appendix section of the Conditions Survey they would find that many of the blighting conditions associated with properties located north of South Boulder Road include: faulty street layout, unsanitary / unsafe conditions, deteriorating site or other improvements, inadequate public improvements, and high service requirements or site underutilization (k.5). Factors that contribute to this are high traffic counts in the right-of-way adjacent to these properties, overhead utilities, topography and drainage issues, etc.

Under, County Impact Analysis (Louisville Urban Renewal TIF Plan), the County raised the following issues / questions. Each is followed by a response.



1. Louisville’s consultant estimates that the impact to the county from diverted property tax increment over the 25-year life of the TIF is \$11.3 million. As explained in the attached assessor’s documents, the Assessor’s figures indicate the total increment diverted from the county to be approximately \$16.5 million.

The Urban Renewal Plan envisions a mix of higher-density residential products, ranging from rental apartments and lofts to condominiums, townhomes, rowhouses and perhaps patio or cluster homes. It should be noted that, since there are no specific development plans in place for the Urban Renewal Area, a mix of these types of products was assumed as summarized below:

Residential Unit Value Estimate	% Unit Mix	# of Units	Unit Value	Total Value
Rental Apartments	30.00%	165	\$110,000	\$18,117,000
Condominiums/Lofts	30.00%	165	\$250,000	\$41,175,000
Townhomes/Rowhouses/Other High Density SF	40.00%	220	\$300,000	\$65,880,000
Totals	100.00%	549	--	\$125,172,000
		Wtd Avg/Unit	\$228,000	

Following are additional observations made in formulating assumptions for this range of housing products:

Rental Apartments

- Although there are no direct comparables in the Boulder County market for the type of rental apartments envisioned in the Plan (e.g., transit-oriented development), comparables from the Denver market were analyzed.
- Data for newer TOD rental projects along Denver’s light rail lines (e.g., Lincoln Station and Alexan City Center) were collected and showed unit values for apartments ranging between \$120,000 and \$140,000. Both of these projects are in superior locations to the Urban Renewal Area, therefore an adjustment downward was warranted (\$110,000). We would still believe this to be a somewhat aggressive assumption for apartment units.

Condominiums/Lofts

- Based on data from the Boulder Area Realtor Association (BARA), the average sales price for condominiums and townhomes in the Louisville/Lafayette/Superior market area has hovered around \$200,000 over the past 24 months.
- Understanding that these figures reflect sales of existing units, data on active projects in Boulder County was collected from Hanley-Wood Market Research. This data indicated the following:
 - ♦ 8 active projects with 92 sales
 - ♦ Unit square foot range: 798 to 1,488
 - ♦ Unit price range -- \$179,900 to \$324,900
 - ♦ Only 12 sales (13%) of units over \$300,000
 - ♦ Weighted average price per unit: \$227,400



Townhomes/Rowhouses

- As shown above, the average sales price for condominiums and townhomes in the Louisville/Lafayette/Superior market area has hovered around \$200,000 over the past 24 months.
- Data on active projects in Boulder County was collected from Hanley-Wood Market Research. This data indicated the following:
 - ♦ 4 active projects with 23 sales
 - ♦ Unit square foot range: 1,454 to 1,815
 - ♦ Unit price range -- \$234,900 to \$343,900
 - ♦ Only 5 sales (22%) of units over \$300,000
 - ♦ Weighted average price per unit: \$274,700

Retail/Office Space

- The estimates of unit values (per square foot) for commercial space were also intended to reflect a wide range of space types, from service retail to restaurant space and live/work to signature office space.
- The County's estimate of \$130 per square foot would, in our estimation, reflect a higher-than-average level of construction quality and would represent a somewhat aggressive assumption.

Using the more aggressive assumptions reflected above, the net impact to the County from the Urban Renewal Plan is summarized as follows:

Property Tax Revenues from Existing Base:	\$18.0 million
Property Tax Revenue Lost from New Redevelopment:	(\$12.9 million)
Share of Sales Tax Revenue:	<u>\$5.9 million</u>
Net Tax Revenues - 25-Year Period:	<u>\$11.0 million</u>

As shown, the analysis using more aggressive assumptions shows total increment diverted from the County to be approximately \$12.9 million.

2.a/2.b The Louisville Urban Renewal Plan states "There is anticipated to be a minimal impact on County services." We don't agree with this. There will be a significant impact on county services, for the following reasons:

- a. The county relies on a growing property tax base to pay for the increasing cost to provide its services to all county residents, including those who live in Louisville. When a property tax revenue stream is frozen, our ability to serve all of our county's residents, including those in the City of Louisville, is negatively affected.
- b. Counties are mandated by state law to provide most county services, such as social services, public health, roads, the justice system and jail. Thus, we cannot just cut back \$16.5 million worth of services, nor can we absorb this level of revenue reduction in our county budget, especially when the costs of providing county services rise every year.



The TIF Plan does not result in a “revenue reduction” nor is the County’s property tax revenue stream “frozen”. The County’s reference to “cutting back \$16.5 (county estimate) million worth of services” is based on revenues that will not be realized, for services that won’t be required, if the TIF Plan is not in place. The TIF Plan also allows for an inflationary increase in the property tax base to help defray the rise in costs. The TIF analysis shows that the County will still receive \$18.0 million over the 25-year period -- \$14.9 million from the existing base and an additional \$3.1 million from the 3% annual inflationary increase.

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2.c

- c. Current and future Louisville residents served: A vast majority of all of our county property tax-funded services are available to all county residents, regardless of where they live.

Current residents: We estimate that we currently provide \$7 million worth of county services to Louisville residents per year, averaging a county expenditure of \$368 per Louisville resident per year. (Estimation based upon \$107.3 million of property tax-funded county services in 2006 per capita to county residents, times Louisville’s population of around 19,000.) WE also contribute county funds to many cooperative efforts with Louisville that are funded by the county’s property tax general fund, such as US 36 MCC, general transportation funds, and low-cost housing.

New residents at build-out: According to Louisville’s Comprehensive Plan, as build-out in 20 years (2025), there will be 23,000 residents in Louisville. This represents an increase of 4,000 new residents over its current population of around 19,000. These new residents will incur significant county costs as they benefit from county services. If the county is simultaneously losing approximately \$16.5 million in new property tax revenue over 25 years, and at the same time we are being asked to provide millions of dollars in new county services annually to Louisville’s new residents, this represents a significant financial “hit” to the county.

The Louisville URA Plan anticipates an increase of 549 housing units in the Plan area. This represents an increase of 450% over the current 122 housing units in that area. With an average per-house population of 2.0 for high-density housing, this means there will be 1,100 new residents living in Louisville in the URA area, all using county services. (549 x 2) We estimate that providing county services



to these new Louisville residents would result in county costs of \$405,000 per year in today's dollars as a direct and immediate cost result of the proposed URA / TIF.

While the buildout population figures for the Urban Renewal Area are reasonable (1,100 residents), it's difficult to evaluate the County's service cost impacts without understanding the cost of services in different portions of the County. It looks like the per capita expenditure of \$368 for Louisville is based on a County-wide average and presumably, would be proportionally the same for all cities within the County. Our question would be: Do Louisville residents have the same cost impact to the County that, for example, City of Boulder residents do? We don't know the answer to this, but intuitively, it would seem that Boulder's population would be more apt to take advantage of County services, based on proximity to facilities and composition of its population.

Additionally, the county is not losing \$16.5 (county estimate) million in new property tax revenue; this money is staying within the URA for the purposes of curing problems contributing to blight. Further, the County refers to growth throughout the City of Louisville and the expenses associated with serving these new residents. The URA anticipates an increase of only 549 residential units. Assuming 2.0 residents per unit (given the size and type of residential product envisioned), this represents approximately 1/4th of all new residents. The balance of new residential units would likely occur in areas where property tax revenues would fully go to the County.

3. The Urban Renewal Plan states that the county will continue to collect its sales tax (\$5.9 million over the 25-year TIF period), and states that the county will benefit through new sales taxes of \$410,000 per year after the 25-year TIF period is over. The plan presumes, erroneously, that the loss in property taxes will be offset by the county's increased share of sales tax revenue. (URA Plan Table 2). While the county will benefit from increased sales tax revenue, any increase in sales tax to the county cannot begin to offset the loss of county property tax. This premise ignores the reality of the county's limited use of sales tax for very specific voter-approved and earmarked uses (such as open space purchases, Worthy Cause nonprofit capital investments, and county-wide transportation projects including trails.)

As we discussed with County representatives, the sales tax revenues generated by the TIF Plan were not intended to directly "offset" diverted property tax revenues. Rather, the point is that the County will still benefit from new sales tax revenue generated by the Plan, regardless of how that revenue is used (as stipulated in their sales tax rate). This would be the same scenario for any new development within the County. It is also important to note that this sales tax revenue (\$5.8 million) will not occur without the implementation of the Plan.

4. Additionally, we would like to note that according to the Urban Renewal Plan the City would receive, conservatively, \$35.4 million in additional incremental sales tax over the 25-year TIF period. All of this additional sales tax increment is presumed to flow into the City's general fund and no portion of the city's sales tax increment is planned to be used for infrastructure and/or development or redevelopment incentives in the URA.



The County's statement that incremental sales tax revenue will flow into the City's general fund is incorrect. On the contrary, the Plan is designed so that all incremental sales tax revenues would go to the Louisville Revitalization Commission and be available for redevelopment incentives within the Urban Renewal Area. Page 28 of the Plan, under 6.3 Project Revenues, states, "The Urban Renewal Plan contemplates that a primary method of financing this project to be the use of municipal sales and property tax increments as authorized by the Act. The City Council may allocate municipal sales tax increments when the Louisville Revitalization Commission submits a financing plan outlining the proposed amounts and purpose for which the municipal sales tax increments are to be used. Upon City Council approval, the municipal sales tax increment will be allocated and distributed in accordance with the tax increment financing provision of Section 31-25-107 (9), C.R.S., which is by this reference incorporated herein as if set forth in its entirety."