



Staff Report

TO: The Mayor and Members of the City Council
DATE: August 21, 2008
SUBJECT: Briefing and Post-City Council Briefing Agenda for August 25, 2008
PREPARED BY: J. Brent McFall, City Manager

Please Note: Study Sessions and Post City Council briefings are open to the public, and individuals are welcome to attend and observe. However, these briefings are not intended to be interactive with the audience, as this time is set aside for City Council to receive information, make inquiries, and provide Staff with policy direction.

Looking ahead to Monday night's Briefing and Post-City Council meeting briefing, the following schedule has been prepared:

Dinner 6:00 P.M.

Council Briefing (*The public is welcome to attend.*) 6:30 P.M.

CITY COUNCIL MEETING 7:00 P.M.

POST BRIEFING (*The public is welcome to attend.*)

PRESENTATIONS

1. HUD Section 108 Loan Program Proposal

CITY COUNCIL REPORTS

1. Report from Mayor (5 minutes)
2. Reports from City Councillors (10 minutes)

EXECUTIVE SESSION

1. Discuss Strategy, Determine Positions and Obtain Instructions on an Economic Development Matter in the South Westminster Redevelopment Area in which the disclosure of information such as financial data or proposed incentives would, if made public, seriously jeopardize the City's ability to secure the development, and determine positions relative to matters that may be subject to negotiations regarding said economic development matters, as allowed pursuant to §1-11-3(C)(4), W.M.C. and §24-6-402(4)(e), C.R.S.

INFORMATION ONLY STAFF REPORTS – do not require City Council action

1. City Park Recreation Center Fees (Attachment)

Items may come up between now and Monday night. City Council will be apprised of any changes to the post-briefing schedule.

Respectfully submitted,

J. Brent McFall
City Manager



WESTMINSTER

Staff Report

City Council Post Council Meeting
August 25, 2008



SUBJECT: HUD Section 108 Loan Program Proposal

PREPARED BY: Tony Chacon, Senior Projects Coordinator

Recommended City Council Action:

Authorize Staff to proceed with application to the U.S. Department of Housing and Development (HUD) to establish eligibility to create a revolving loan fund of approximately \$2,725,000 through the Section 108 Loan Program; and, authorize Staff to proceed with amendments to the Consolidated Plan to authorize the City of Westminster to participate in the Section 108 Loan Program.

Summary Statement:

- As an “entitlement” city, the City of Westminster receives a direct allocation of Community Development Block Grant (CDBG) funds from HUD annually that are required to be expended for projects that serve and benefit low to moderate income persons.
- The City received an allocation of \$553,850 in 2008, an amount that has and is expected to continue to decline steadily, making it increasingly problematic in providing sufficient levels of funding to complete an eligible project or projects in a single year.
- HUD operates the Section 108 Loan Program where an entitlement City, such as the City of Westminster, can establish a line of credit equal to up to five (5) times its annual CDBG allocation for the purposes of funding projects that are eligible for CDBG funding.
- The City has the ability to create a revolving line of credit of about \$2,725,000 that could be loaned to eligible projects. The loan(s) come with a low interest rate and a twenty year repayment term. As repayment is made, the proceeds could be re-loaned on new projects.
- As a condition of the loan the City would be required to designate its annual CDBG allocation as guaranteed collateral in the case of default. However, using the CDBG as guarantee does not impact the City’s ability to expend its annual CDBG allocation. Only in the event of a default would HUD reduce the City’s forthcoming CDBG allocation by the amount of the due payment.
- Any loan to a project would be subject to meeting underwriting requirements established by the City and the capability to repay the loan amount using sources other than CDBG.
- HUD is encouraging “entitlement” cities to participate in the Section 108 Loan program to accelerate development projects and minimize impacts associated with the CDBG reductions.
- The Section 108 Loan Program could assist the City in financing smaller redevelopment projects in the South Westminster area such as the planned Harris Park Mixed Use Condominium/Commercial project at the southwest corner of 73rd Avenue and Lowell Boulevard and the Adams County Housing Authority commercial project on the northwest corner of 71st Avenue and Federal Boulevard.

Expenditure Required: \$0

Source of Funds: N/A

Policy Issue:

Should the City use its annual CDBG allocation as a means of guaranteeing repayment of a Section 108 Loan to assist in funding projects serving low to moderate income persons and or neighborhoods?

Alternative:

The City Council can choose not to pursue participation in the Section 108 Loan Program and continue to pursue redevelopment and revitalization efforts in South Westminster using traditional funding mechanisms such as multi-year commitment of CDBG funds, rebate of tax increment to developers, and/or cash contributions from the City's general fund.

Background Information:

Over many years, the City of Westminster has used creative financial means to support revitalization and redevelopment endeavors in the South Westminster area. The primary means of supporting these endeavors has been the use of a combination of CDBG, sales tax rebates, and general funds from the City, tax increment proceeds from the Westminster Economic Development Authority (WEDA), and cash proceeds from the Westminster Housing Authority (WHA.) In partnership, these resources have led to many successful improvements and developments including the following:

- Streetscape improvements to 72nd and 73rd Avenues, Lowell and Federal Boulevards, and Meade Street.;
- Redevelopment of the Westminster Plaza Shopping Center;
- Improvements/redevelopment of the Northgate Shopping Center;
- Redevelopment of the LaConte Shopping Center;
- Construction of the Irving Street Library and Park; and,
- Construction of the Harris Park Townhouses and commercial building.

Recent fiscal conditions of each of these traditional resources, however, are making it exceedingly hard to provide the financial assistance needed to continue supporting revitalization, and particularly redevelopment endeavors in South Westminster. WHA cash reserves have dwindled, tax increment in the WEDA district is down thereby diminishing bonding capacity, and the City's general fund is very tight on an annual basis. WEDA's ability to sell bonds to finance improvements and facilitate development activity is further impeded by the remaining duration to collect tax increment revenues. WEDA only has 5 remaining years of collections in Phase I of the South Westminster Urban Renewal Area (Westminster Plaza area) and about 10 years in Phase II. It is almost impossible and impractical to issue bonds for such a short duration.

In another significant development, CDBG funds, which have been a significant source of funding for South Westminster activities, have diminished over the last five years. HUD staff has also indicated that CDBG will likely see further reductions in the near future. These financial constraints are making it difficult to provide financial assistance to promote new development activity in the South Westminster area.

In 2006, Staff learned of a revitalization initiative by the City of Portland, Oregon using HUD Section 108 Loan proceeds to establish a revolving loan fund directed towards promoting physical improvements and redevelopment in low income areas. The Section 108 Loan Program is administered by HUD and is made available to "entitlement" cities receiving an annual allocation of CDBG funds. The program allows eligible cities to access a loan(s) up to five times its annual CDBG allocation. The interest rate is

set low at a few basis points above LIBOR, the internationally accepted base rate, and has a required repayment term of 20 years. The loan can be repaid sooner without penalty. To be eligible to receive the “loan,” the applicant must be able to show an ability to repay the loan that does not rely on CDBG as the prime means of repayment. With prior approval, HUD may authorize repayment using a portion of the annual CDBG allocation. As further collateral, HUD requires that the City guarantee the loan by pledging its CDBG allocation towards the loan repayment should a default occur on the loan payment. Pledging the CDBG allocation as collateral does not affect the City’s ability to expend its annual CDBG allocation. The City can continue to program its annual CDBG allocation should the repayment on the loan remain current and in good standing. In the event a default does occur, HUD would subtract the loan payment amount from the City’s CDBG allocation in the next fiscal year.

In discussions with Portland officials, Staff determined that the Portland program had similar applications to the City’s South Westminister revitalization and redevelopment efforts. Given the potential applications and upon recommendation of Portland officials, City staff retained the services of the National Development Council (NDC), a national non-profit organization serving the needs of distressed neighborhoods and communities, to evaluate the viability establishing a Section 108 revolving loan program and to prepare a proposal for HUD consideration. Based upon its 2008 CDBG allocation, the City of Westminister would be eligible to receive a Section 108 loan commitment of about \$2,725,000. Staff proposes that the City would apply to receive this full amount in the form of a line of credit. In having the line of credit, the City could quickly process a loan request for a specific eligible project on an as-needed basis. In conjunction with creating a revolving loan program, City would be required to develop and adhere to a set of underwriting requirements that would be pre-approved by HUD as part of the application process. As projects are identified for use of the loan fund, the City would then evaluate and structure a loan deal with the prospective loanee. Given the City’s limited administrative capacity and experience in Section 108 loans, Staff would propose to contract with the National Development Council, or other qualified entity, to assist in structuring development proposals using the Section 108 loan. There would be no direct cost to the City for this service as this cost would be incorporated into the development pro-forma and would only be incurred at such time the City chooses to pursue a project.

Staff believes the Section 108 Loan Program provides another potential tool to assist the City in its revitalization efforts in South Westminister. Two South Westminister redevelopment projects currently in the planning phase could immediately benefit from a Section 108 loan. Phase III of the Harris Park Redevelopment (30 condominium units over 7,200 square feet of commercial space), at the southwest corner of 73rd Avenue and Lowell Boulevard, and the proposed Adams County Housing Authority offices and commercial building, at the northwest corner of 71st Avenue and Federal Boulevard (Arrow Motel property), have financial gaps that will require significant financial assistance due to excessive land acquisition costs. Current financial constraints could inhibit the ability of the City, WEDA and the WHA to provide significant cash assistance at the front end of the project. Nor is it feasible to issue bonds against future tax increment to be generated from the projects given the relatively small size of the development and the few remaining years for tax increment revenue collection. The Section 108 program provides the opportunity to finance any City participation over an extended number of years.

In order to apply for the Section 108 Loan Program, the City will be required to amend its HUD Consolidated Plan to specifically identify use of CDBG funds for such purpose. This would be a simple process requiring the posting of notice for a 30 day period public comment period prior to submittal of the application. Participation in the Section 108 Loan Program could also provide an additional benefit to the City in the way of applying for and obtaining a Brownfields Economic Development Initiative (BEDI) grant from HUD. The BEDI grant is made available to assist in developing “Brownfields” impaired properties and makes such grants available only to communities or projects participating in the Section 108 Loan Program. Most of the redevelopment opportunities in the South Westminister area, including

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the two aforementioned projects, are eligible Brownfields sites. HUD may be making the grant available in the Fall of 2008, which could coincide with a City application for the Section 108 Loan Program. BEDI grants are generally in the range of \$500,000 to \$1,000,000.

Respectfully submitted,

J. Brent McFall
City Manager



WESTMINSTER

Staff Report

Information Only Staff Report
August 25, 2008



SUBJECT: City Park Recreation Center Fees

PREPARED BY: Peggy Boccard, Recreation Services Manager

Summary Statement:

This report is for City Council information only and requires no action by City Council.

On August 4, 2008, City Council authorized Staff to proceed with construction drawings and bidding for the City Park Recreation Center (CPRC) aquatics and locker room renovation project. The CPRC aquatics and locker room renovation is anticipated to begin in spring of 2009. Once construction begins, the aquatics area will be closed for a period of nine to twelve months and the locker rooms will be closed for a period of three to five months. Staff is preparing for this change and recommends the following three-phase plan to address guest service needs.

Phase I – Annual Pass sales

- CPRC currently sells annual passes. Based on projected renovation dates, if the City continues to allow annual pass sales, the new passes would not expire until after the pool and locker room closure date.
- In order to reduce the volume of pass adjustments once the aquatics and locker rooms close, CPRC will discontinue annual pass sales effective September 1, 2008.
- Effective September 1, 2008, CPRC will begin selling passes in monthly increments, which will expire on or prior to the anticipated closure date of March 1, 2009. Rates will be aligned with the existing annual pass fees.

Phase II –Existing Pass Holder Options

- With a focus on guest retention, Staff will offer existing pass holders (those who hold an active pass after the renovation start date) the option to transfer their pass to another facility or pass type, to freeze their pass until the grand-opening date, or to receive a pro-rated refund for the unused portion of their pass.

Phase III – Fee Structure of Passes, Punch Cards, and Admissions during Renovation

- Although the aquatics area and locker rooms will be closed during construction, the remainder of CPRC will remain open for normal use.
- Areas that will continue to operate include the upper level with classrooms, pottery and ceramics studio, tiny tots, the community room with kitchen, the lower level gymnasium, climbing wall, racquetball courts, weight room, and youth dance room.

- Available drop-in use areas will be the gymnasium, climbing wall, racquetball courts, and weight room.
- Since CPRC will be offering similar drop-in amenities to West View Recreation Center (gymnasium, racquetball, and weight room), Staff is recommending that admission and punch cards be adjusted to the same fee structure as West View Recreation Center's during the construction phase. (See attached fee chart)
- Pass fees will be configured and sold based on monthly increments, using West View's fees as a guide. Pass fees such as All-Facility passes will be modified as well. (See attached fee chart)
- All passes sold will expire before the anticipated opening date. (This date to be determined.)

Background Information:

On August 4, 2008, City Council authorized Staff to proceed with construction drawings and bidding for the CPRC aquatics and locker room renovation project. Part of this project includes adjusting admission, punch card, and pass fees to be equitable to services offered during the construction phase. Staff also recognizes that in order to retain and keep favorable relationships with existing pass holders, it will be necessary to offer them options for those passes that expire after the anticipated closure date.

This project meets the City Council's Strategic Plan Goals of "Financially Sustainable City Government Providing Exceptional Services."

Respectfully submitted,

J. Brent McFall
City Manager

Attachment

City Park Recreation Center Current and Proposed Fees

City Park Recreation Center Current Fees

	Daily	
	Resident	Non-resident
Adult	\$4.00	\$5.75
Minor	\$3.25	\$4.75
Child	\$2.75	\$3.75
Senior	\$2.75	\$4.25

	Punch Card	
	Resident	Non-resident
Adult	\$68.00	\$100.00
Minor	\$55.00	\$83.00
Child	\$47.00	\$65.00
Senior	\$47.00	\$74.00

	Annual Pass	
	Resident	Non-resident
Household	\$580.00	\$830.00
Adult	\$310.00	\$435.00
Minor	\$175.00	\$240.00
Child	\$175.00	\$240.00
Senior	\$185.00	\$300.00

	All Facility Fees	
	Resident	Non-resident
Household	\$775.00	\$1,120.00
Adult	\$425.00	\$595.00
Minor	\$260.00	\$355.00
Senior	\$270.00	\$415.00

City Park Recreation Center Proposed Fees

	Daily	
	Resident	Non-resident
Adult	\$3.50	\$5.25
Minor	\$2.50	\$3.50
Child	\$2.25	\$3.25
Senior	\$2.25	\$3.75

	Punch Card	
	Resident	Non-resident
Adult	\$60.00	\$91.00
Minor	\$43.00	\$61.00
Child	\$38.00	\$56.00
Senior	\$38.00	\$66.00

	Monthly Pass	
	Resident	Non-resident
Household *	\$40.00	\$60.83
Adult	\$21.25	\$29.17
Minor	\$13.33	\$18.33
Child	\$13.33	\$18.33
Senior	\$14.17	\$14.17

	All Facility Fees	
	Resident	Non-resident
Household *	\$675.00	\$1,020.00
Adult	\$370.00	\$510.00
Minor	\$245.00	\$335.00
Senior	\$225.00	\$360.00

* The proposed City Park Recreation Center fees are the same as the current fees at West View Recreation Center with these exceptions, which are slightly higher than those at West View.