



WESTMINSTER

Staff Report

TO: The Mayor and Members of the City Council
DATE: September 3, 2014
SUBJECT: Briefing and Post-City Council Briefing Agenda for September 8, 2014
PREPARED BY: Steve Smithers, Acting 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.

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

PRESENTATIONS

1. Urban Renewal Designation Relative to Westminster Station TOD Area

CITY COUNCIL REPORTS

None at this time.

EXECUTIVE SESSION

1. Review of semi-finalist recommendations for City Attorney position and discussion of issues that may be subject to negotiation pursuant to Section 1-11-3(C)(1) and (7), W.M.C., and Section 24-6-402(4)(e) and (f), C.R.S. (**Verbal**)

INFORMATION ONLY

None at this time.

PLEASE NOTE THAT THE **PROPOSED 2015/2016 BUDGET** WAS DELIVERED ON 8/28/14.

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

Respectfully submitted,

Stephen P. Smithers
Acting City Manager

NOTE: Persons needing an accommodation must notify the City Manager's Office no later than noon the Thursday prior to the scheduled Study Session to allow adequate time to make arrangements. You can call 303-658-2161 /TTY 711 or State Relay) or write to mbarajas@cityofwestminster.us to make a reasonable accommodation request.



WESTMINSTER

Staff Report

City Council Study Session Meeting
September 8, 2014



SUBJECT: Urban Renewal Designation Relative to Westminster Station TOD Area

PREPARED BY: Tony Chacon, Senior Projects Coordinator

Recommended City Council Action

Authorize Staff to proceed with an evaluation relative to the restructuring of the South Westminster Urban Renewal Area to better support improvements and development within the Westminster Station Transit Oriented Development area.

Summary Statement

- In an effort to redevelop the old dilapidated Westminster Plaza shopping center, the City of Westminster established the initial phase of the South Westminster Urban Renewal Area (URA) in 1988.
- The URA was expanded in 1992 to incorporate most of the remaining commercially developed and zoned property in the South Westminster area as shown in Attachment "A".
- Colorado State Statute allows the Westminster Urban Renewal Authority to collect tax increment for a period of 25 years from within a designated URA.
- Tax increment collections relative to Phase I of the South Westminster URA expired in 2013, with collections in the Phase II area due to expire in September, 2017.
- The Westminster Station Transit Oriented Development (TOD) area lies within the boundaries of Phase II of the South Westminster URA, and thus any tax increment that could be applied to supporting new development in the area will expire in September, 2017.
- Needed infrastructure improvements and prospective new development will require a significant infusion of public funding into the foreseeable future.
- Tax increment resulting from new development activity could provide a substantial funding resource that would reduce the need to rely on the City's standard capital improvement program to fund such improvements and support new development.
- By effectively restructuring the URA, WEDA could access up to 25 years of tax increment funding to invest in supporting development around the Westminster Station commuter rail project.

Expenditure Required: \$50,000 (estimated)

Source of Funds: General Capital Improvement Fund - South Westminster TOD capital project account

Policy Issue

Should the City of Westminster give consideration to establishing an urban renewal district to support infrastructure improvements and development within the Westminster Station TOD Area?

Alternative

The City Council could choose not to consider establishment of a new urban renewal district to provide financial support towards infrastructure improvements and development projects. Staff recommends the Council not give consideration to this alternative because the urban renewal powers would greatly assist in the redevelopment of the south Westminster area.

Background Information

At the time the Westminster Mall was completed in 1984, the south Westminster area began to face many socio-economic and infrastructure challenges and blighting factors. The area, having generally been built out between the late 1800's and mid-1970's, started to show the effects of 40 to 100 years of aging and wear. This transition from its economic heyday between 1960 and 1980 resulted in significant change relative to the socio-economic characteristics of the population, the economic and business base, and the physical attributes of structures and public infrastructure. The most notable manifestation of this change was the Westminster Plaza shopping center that had experienced a notable deterioration in its physical condition, tenancy, and economic stability since the opening of the Westminster Mall. Given this situation, the Westminster City Council created the Westminster Economic Development Authority (WEDA), conducted a blight study in 1987 (updated and expanded in 1992), prepared an urban renewal plan, and designated the City's first urban renewal area (URA) in 1988 (referred to as Phase I) to provide the authorization to acquire the site and the financial means to assist in redeveloping the shopping center. In 1992, the URA was expanded by City Council action to incorporate a larger area of south Westminster that included almost all commercial and industrial zoned property (referred to as Phase 2) to facilitate redevelopment in that area. The redevelopment of the Westminster Plaza was completed in 1999. Attachment "A" shows the boundaries of the existing South Westminster Urban Renewal Area.

The URA designation in south Westminster provided WEDA with tax increment that would be generated from redevelopment and property improvements for a period 25 years. Based on projected tax increment revenue, WEDA issued revenue bonds to assist in funding the redevelopment of the Westminster Plaza shopping center. WEDA has been using the tax increment proceeds to make the annual debt payment on the bonds, leaving little to nothing available to support other revitalization or redevelopment efforts. Most of the tax increment generated in the South Westminster URA resulted from the redeveloped Westminster Plaza shopping center and the accompanying Safeway grocery, which is located in Phase I. Phase 1 of the South Westminster URA expired in October 2013 thereby reducing the amount of tax increment received to finish paying off the bonds. The remaining financial obligation is being paid off through Phase II tax increment collections that are due to expire the end of September 2017. Minimal tax increment revenue has been generated in Phase II given the nominal development activity having occurred in the area. The Northgate shopping center was partially redeveloped and the existing grocery building renovated; however, this project has produced little in the way of sales tax revenue given the lengthy amount of time the grocery store has remained vacant.

The Westminster Station Transit Oriented Development (TOD) Area is situated within the Phase II boundary of the URA. In support of the forthcoming commuter rail station, the City is required, under agreement with the Regional Transportation District (RTD), to make substantial infrastructure

improvements. Planned improvements include the construction of a parking garage, a bus transfer facility, public plazas on both the north and south side of the tracks, water quality and detention facilities, and sections of new streets providing the minimal vehicular and pedestrian access to the commuter rail train station. These improvements are currently estimated to cost about \$40 million. Staff is currently anticipating covering these costs using proceeds provided by other jurisdictions (i.e. RTD, Adams County, Urban Drainage and Flood Control District, etc.) and general City revenues made available through the Capital Improvement Program. While Staff believes that sufficient funding can be found through these sources, factors such as increasing commodity and labor costs could result in the City having to reduce or modify the initial project scope and/or find additional funding sources. Beyond the initial required improvements, the City will need to address the construction of additional utility, street, and park improvements that will require City investment. The City's ability to provide funding for these additional improvements from General Fund revenue proceeds is questionable for the foreseeable future.

The City's interest in spurring new development activity around the commuter rail station will also require some level of public financial assistance, at least in the TOD area's formative years, given the current market discrepancy between development costs and potential developer profitability. For example, the cost for a developer to purchase land for a residential development within the TOD area will be significantly higher than the cost to purchase vacant "greenfield" land in growing areas of the City. This higher cost is due to the land in the TOD area usually having buildings on the property that add value regardless of the building's age or condition. While having to pay more for the land, a prospective developer also has to contend with having to rent an apartment at lower rates given the current market conditions in the neighborhood. These circumstances make it less appealing to developers to pursue development in south Westminster. However, City investment into some of the earliest development opportunities would lead to improving and solidifying the South Westminster real estate market, which will thereafter make the TOD area more inviting and attractive to financially self-sufficient development. Without public financial support, new development activity would be unlikely to occur in the near future.

Utilization of tax increment proceeds generated through an urban renewal district can provide a means of generating funding for infrastructure and development. As noted previously, however, the current URA, within which the Westminster Station TOD Area is located, does not generate sufficient discretionary funding and only has three years of revenue generation remaining. Reestablishing a "new" urban renewal district more specific to the Westminster Station TOD Area would be capable of providing a more significant source of tax increment revenue given the capture period of 25 years and prospective development activity occurring based on the opening of the commuter rail station in 2016. Accordingly, Staff is proposing to evaluate the feasibility of establishing a new URA to further support redevelopment in south Westminster by addressing short and long-term financial needs.

Should the City Council authorize Staff to proceed with an assessment of establishing a new URA, the following steps would be followed:

- The City would proceed with preparation of a blight study to determine eligibility to form an urban renewal district pursuant to State Statute. Attachment "B" shows the proposed boundaries within which the blight study would be conducted. Property owners within the boundaries of the blight study would be advised accordingly;
- The City would have an Impact Study prepared, the results of which would be presented to Adams County staff for their review and comment per State Statute;
- The City would have a Tax Increment Study completed so as to evaluate the financial viability of establishing the URA; and,

- The City would prepare an Urban Renewal Plan identifying prospective improvements and investments that could benefit from the tax increment proceeds.

Upon completion of these steps, the City Council would choose whether or not to give consideration to the creation of the new URA.

The creation of an URA for the Westminster Station TOD Area could provide funds needed to stimulate redevelopment by funding infrastructure and by assisting developers reduce excessive land assembly costs. It further could assist in providing a more readily available source of funding that could stimulate and accelerate development in the Westminster Station TOD Area, which in turn could stimulate general financial benefit to the City from other areas immediately adjacent to the district boundaries. Such an investment would provide a significant boost to the south Westminster revitalization efforts in the immediate future.

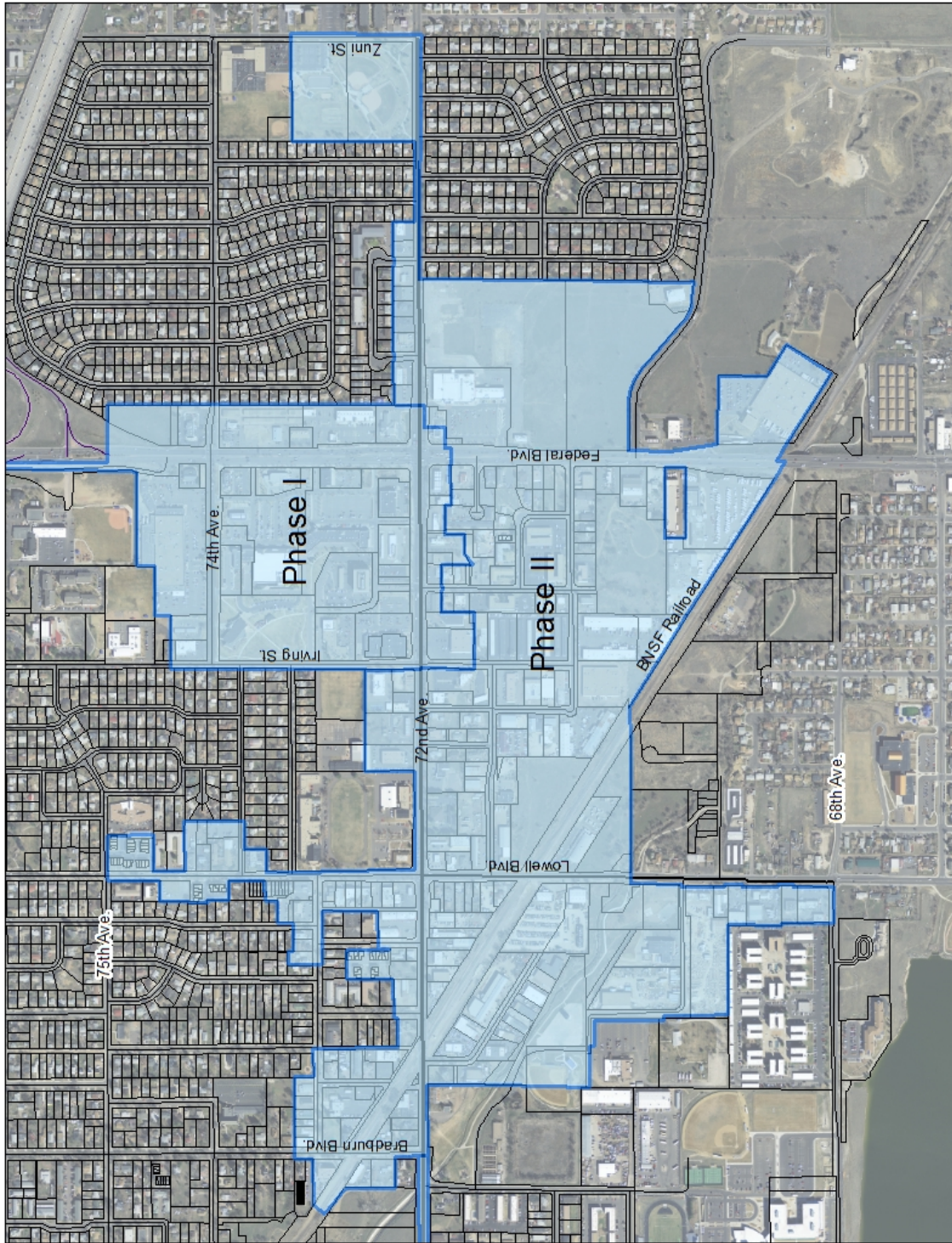
The establishment of a new URA in support of the Westminster Station TOD Area works towards the City Strategic Plan Goal of creating *Vibrant and Inclusive Neighborhoods* where tax increment revenues could be used towards constructing infrastructure and promoting new commercial and residential development activity. It further promotes meets the goal of building a *Dynamic, Diverse Economy* within the Westminster Station TOD Area by stimulating development leading to long-term financial stability and sustainability. The goal of *Ease of Mobility* is also achieved by providing a financial means of investing in infrastructure and development that promotes and supports mobility choices including automobile, bus, train, bicycle and pedestrian transportation modes.

Respectfully submitted,

Stephen P. Smithers
Acting City Manager

Attachment(s)

ATTACHMENT "A"
Existing Urban Renewal Area



ATTACHMENT "B"
Proposed Blight Study Boundaries

