

ATTACHMENT A

LDDA Revenue Sources

LDDA Operating Fund - Funding for the operations of the LDDA come from a property tax levy of 3.31 mills on all real and personal property within the LDDA boundaries. The election in October of 1982 which created the district authorized the property tax levy up to a maximum of 5 mills. The 3.31 levy is budgeted to generate \$121,141 of property tax and \$9,500 of automobile tax in 2006 (although the final assessed valuation results in \$3,500 less of property tax). Additional revenues to support DDA operations come from administrative transfers from the General Improvement District Fund of \$13,500 and the Downtown Parking Fund of \$9,900 for the administration of these programs by the LDDA staff. The City is budgeted to provide one-time revenues of \$5,000 for holiday lights and \$17,800 for support of special events. These revenues, along with the use of fund balance of \$14,566, finance the LDDA operating budget of \$192,207 for 2006. The operating fund is projected to have an unreserved undesignated fund balance of around \$35,000 at the end of 2005.

Downtown Parking Fund – This fund accumulates the revenue from the sale of parking permits. It is restricted to paying “associated municipal administrative costs incurred” and then “financing public capital improvements of, and within the territorial jurisdiction of the LDDA, which capital improvements and expenditures are approved by the City Council”. Annual revenues from the sale of permits are budgeted at \$35,000. The fund has is projected to have a fund balance of \$282,000 at the end of 2005 of which \$7,130 is budgeted to be used to fund the 2006 budget of \$42,130. Besides O&M costs related to the downtown parking program that budget of \$42,130 includes \$15,000 for parking lot upgrades.

Development Incentive Program (DIP) – Per the IGA between the City and the LDDA, the Development Incentive Program provides to the LDDA certain development fees collected on building projects within the LDDA area. These monies can be used for either improvements to commercial property subject to applications submitted to the LDDA or for public improvement projects in the LDDA area. The unreserved undesignated fund balance in this fund at the end of 2005 is expected to be over \$30,000.

Tax Increment Financing Revenue – TIF revenues for 2006 are expected to be at least \$725,000. State statutes only allow TIF money to pay for debt. The statutes do not use the term “debt” but instead says "bonds", "loans" and "advances". The statutes also go on to say that the debt can be used for “financing or refinancing, in whole or part, a development project within the boundaries of the plan of development area”. We have used these funds in the past for repaying debt for capital projects in the DDA area. It may be possible that the term “development project” could be interpreted to be more than just a capital project.

Background Information on Tax Increment Financing

The information included below is intended to provide an overall perspective of the TIF monies including allowable uses and projections on amounts available through the end of the life of the tax increment district in 2012.

INTRODUCTION

In the state of Colorado, the state statutes allow for the creation of downtown development authorities and the statutes also govern the powers of such authorities. The section of the statutes that pertain to downtown development authorities is Section 31 Article 25 Part 8. Those sections also address the use of tax increment financing by DDA's. We have included information from those parts of the statutes as supporting detail.

MASTER PLAN OF DEVELOPMENT

One of the powers or responsibilities assigned to a DDA in state statute is to:

Plan and propose, within the downtown development area, plans of development for public facilities and other improvements to public or private property of all kinds, including removal, site preparation, renovation, repair, remodeling, reconstruction, or other changes in existing buildings which may be necessary or appropriate to the execution of any such plan which in the opinion of the board will aid and improve the downtown development area;

The Longmont DDA first created a plan of development upon being formed in 1982. The Authority's Plan of Development, adopted by the City Council in June of 1983, describes a series of objectives designed: to promote the health, safety, prosperity, security and general welfare of the District; to strengthen the economic vitality of the downtown area by preventing the deterioration of property values and structures and by eliminating blighted conditions; and to prepare and implement plans for the economic and physical revitalization of the PDA. The LDDA updated the Master Plan of Development in 1987 and again in 1995. A copy of the 1995 Master Plan of Development is included at the end of this communication.

TAX INCREMENT FINANCING

In adopting the LDDA Plan of Development in 1983 the City Council adopted the use of tax increment financing as authorized in the Colorado State Statutes.

While such financing could be utilized with both property taxes and sales taxes, Longmont chose only to utilize property tax:

That portion of said property taxes...in excess of such amount shall be allocated to and, when collected, paid into a special fund of the municipality for the **payment of the principal of, the interest on, and any premiums due in connection with the bonds of, loans or advances to, or indebtedness** incurred by, whether funded, refunded, assumed, or otherwise, the municipality for financing or refinancing, in whole or in part, **a development project** within the boundaries of the plan of development area.

The Plan established a base property valuation for the overall District as of December 1982 and beginning in 1983, the incremental property tax generated by the various mill levies on those properties above the 1982 base level is earmarked as LDDA TIF revenue and deposited in the LDDA TIF Fund. A history of the tax increment revenue collections is included on Attachment "B".

While the state statutes allow for tax increment financing by a DDA, they limit the use of those funds to the payment of debt used to finance a development project (as highlighted in the excerpt above). That debt is subject to voter authorization (as per the excerpt below):

The special fund described in subparagraph (II) of paragraph (a) of this subsection (3) and the tax moneys paid into such fund may be irrevocably pledged by the municipality for the payment of the principal of, the interest on, and any premiums due in connection with such bonds, loans, advances, or indebtedness if the question of issuing such bonds or otherwise providing for such loans, advances, or indebtedness and **the question of any such intended pledge are first submitted for approval to the qualified electors of the district at a special election** to be held for that purpose.

An election was held in March of 1985 in which the qualified electors of the District authorized the City to issue bonds in an aggregate amount not to exceed \$4,500,000, for the purpose of financing development projects to be undertaken by the DDA pursuant to the Plan of Development. That authorization was used up with bond issues in 1986 and 1998 and smaller financing projects in between. Thus the LDDA had been in need of further voter authorization to be able to utilize any further TIF revenues for new debt on new development projects. The 1998 bonds are scheduled for final payment in December of 2007. The tax increment revenue fund is now in excess of \$2.6 million but the two remaining years of debt payments only total \$658,560.

ALLOWABLE EXPENSES FOR TIF DOLLARS

As indicated above, the TIF dollars must be used for the payment of debt used to finance a development project. The statutes define a development project as follows:

"Development project" or "project" means undertakings and activities of an authority or municipality as authorized in this part 8 in a plan of development area for the development or redevelopment of said area in accordance with a plan of development.

We have been advised by bond counsel that this definition could be interpreted as any project or effort that is included within the master plan of development. As you can see from the attached copy, the LDDA Master Plan of Development includes both proposed projects as well as a number of goals, policies and strategies. These goals, policies and strategies are very broad and cover a wide range of potential efforts. During the budget process City Council asked if the proposed efforts that the LDDA was requesting additional funding for were eligible uses of TIF monies. Policies and strategies regarding land use can be

found in Goal 1 (page 68). Policies and strategies regarding business recruitment, development and retention can be found in Goals 5 (page 70) and 25 (pages 81-82). Policies and strategies regarding community relations and communication & outreach can be found in Goals 25 (pages 81-82) and 27 (page 83).

AVAILABILITY OF TIF DOLLARS

Although the ballot question requested voter authorization of up to \$10 million of additional debt, the LDDA does not have the capacity to immediately issue this much debt. The \$10 million amount was estimated under the assumption that there will be greater annual revenues between 2006 and 2012 than the amount of the annual bonded debt service. Those excess revenues could be accessed when they are available in later years through shorter-term debt such as inter-fund loans.

The tax increment revenue fund will end 2005 with a balance of just over \$2.6 million. The 1998 bond issue does not have an early call provision and it requires a \$260,000 reserve to be maintained until the bonds are paid off in December of 2007. That leaves a balance of approximately \$2.34 million available that could also be accessed through an inter-fund loan. There are no outstanding commitments from these monies although the LDDA Board was asked to consider committing \$500,000 towards the flour mill redevelopment project.

Based on the amount of annual TIF revenue being generated, the amount of debt service reserves required for a bond issue, and the fact that the TIF can only continue through the year 2012, we estimate that approximately \$2.6 million is the maximum that could be made available for projects through bonding. The bond issue would be for \$3 million but issuance expenses and reserve requirements would result in only \$2.6 million for any project itself. Debt service payments on the bond could be close to \$3.7 million through 2012.

Annual revenues in excess of bond debt service payments through 2012 along with the release of the debt service reserves when bond issues are paid off would result in at least another \$1.3 million of TIF revenues being available over the period of 2006 through 2012. That does not assume any growth in the level of annual TIF revenue. Unfortunately bond covenants may prevent them from being committed to any other long term debt so they will only be available in annual increments as follows:

2006	\$107,000
2007	\$367,000
2008	\$107,000
2009	\$107,000
2010	\$107,000
2011	\$107,000
2012	\$407,000

To summarize, staff estimates the following amount of TIF revenues being available for projects between now and 2012 without assuming any annual growth. It is a total of \$6.2 million.

	<u>TIF fund balance</u>	<u>New Bond</u>	<u>Debt Reserves</u>	<u>Excess Revenues</u>
2006	\$2,300,000	\$2,600,000	\$0	\$107,000
2007	\$0	\$0	\$260,000	\$107,000
2008	\$0	\$0	\$0	\$107,000
2009	\$0	\$0	\$0	\$107,000
2010	\$0	\$0	\$0	\$107,000
2011	\$0	\$0	\$0	\$107,000
2012	\$0	\$0	\$300,000	\$107,000
Total	\$2,300,000	\$2,600,000	\$560,000	\$ 749,000

If the annual TIF revenue were to increase by \$50,000 per year through 2012 that could result in another \$1.4 million of excess revenues or revenues in excess of the annual debt service payments.

Summary

The amount of TIF dollars available for a parking structure or other development projects will vary based on the timing of when the dollars are utilized and how they are accessed. Amounts included in this communication are mostly estimates and subject to change.

ATTACHMENT B

Tax Increment Revenues History

<u>Year</u>	<u>Revenue</u>
1984	\$46,200
1985	\$105,595
1986	\$180,595
1987	\$223,309
1988	\$229,158
1989	\$257,448
1990	\$261,590
1991	\$279,052
1992	\$312,213
1993	\$213,073
1994	\$203,201
1995	\$302,049
1996	\$302,305
1997	\$376,928
1998	\$441,927
1999	\$461,926
2000	\$506,956
2001	\$531,295
2002	\$557,332
2003	\$681,309
2004	\$732,612
2005	\$725,000