

## **City Council Retreat Paper**

### **LONGMONT URBAN RENEWAL AUTHORITY**

This paper is being prepared to assist the City Council in determining whether it would be appropriate to revive the existing Longmont Urban Renewal Authority (LURA) and evaluate whether it would be useful in redeveloping areas within the city such as the Sugar and Flour Mill sites.

#### **Background**

State law indicates that an urban renewal authority may be established for the purpose of eliminating slum or blighted areas, as defined by the statute, within the municipality, and clearing such areas for development or redevelopment. If the governing body determines that a blighted area exists, it may establish an urban renewal authority based on a petition signed by at least 25 registered electors of the municipality. The Longmont City Council established the Longmont Urban Renewal Authority (LURA) in compliance with the statute on June 25, 1968.

#### **Organization**

The authority is a corporate and political body, and its boundaries are coterminous with the boundary of the municipality. An authority is governed by a board of not less than five nor more than 11 commissioners appointed by the mayor (and Council), to staggered terms, subject to the approval of the governing body. One commissioner may be an official of the municipality. The city council may appoint itself as the commission, however, once a board of independent commissioners is established, the council must seek approval of the electorate to become the board. LURA was established as an independent board of, initially, seven commissioners, and has been inactive since the 1980's.

An urban renewal authority operates pursuant to an urban renewal plan or plans adopted by the municipal government for each urban renewal area. The finding that a slum or blighted area exists is a prerequisite to the adoption of an urban renewal plan and is usually accomplished by undertaking a "blight study". Once the blight study is approved, the city prepares an urban renewal plan that defines the specific urban renewal area and establishes the methodology for removal of the conditions of blight. The urban renewal plan is adopted by the governing body following a public hearing and must be supported by certain findings, among others, that the plan conforms to the comprehensive plan of the municipality and will afford maximum opportunity for the redevelopment of the urban renewal area by private enterprise. Prior to the public hearing, the proposed plan is submitted to the planning commission for its recommendation whether the proposed plan conforms to the comprehensive plan, and it is also referred to the board of county commissioners. Once an urban renewal plan is approved, it may be modified by the government, but if the modifications are significant the approval must follow the same procedure for the approval of the original plan.

An urban renewal plan was approved for LURA on March 11, 1969. That plan, the "Longmont Development Project #1", was created for an area bounded by 3<sup>rd</sup> Avenue, 6<sup>th</sup> Avenue, Coffman

Street, and Emery Street; and 2<sup>nd</sup> Avenue, 3<sup>rd</sup> Avenue, Atwood Street, and Bowen Street. While we presume this project, which involved housing rehabilitation, was completed, we have not found any further information on the plan.

A new urban renewal plan would have to be established for any new urban renewal projects in these or other areas of the city.

## **Powers**

The authority has broad powers with respect to any urban renewal plan, including the power to acquire property by purchase or by using eminent domain (i.e. condemnation). If acquired by eminent domain, such action must be approved as part of the urban renewal plan or any modification of the plan and by a majority vote of the governing body of the municipality. The Colorado Supreme Court has held that the condemnation of private property and the subsequent sale to another private owner for development does not violate the constitutional provision relating to the power of eminent domain. (This issue will probably be the subject of a proposed amendment to this statute that would curtail the use of eminent domain if it resulted in financial gain for another private developer.) The authority does not have the power to levy taxes. The authority may demolish existing structures, construct or install new streets, utilities, parks, playgrounds and other improvements. The authority may purchase property and sell the property at a “fair value, as determined by the authority” for development in accordance with the urban renewal plan.

The urban renewal plan may empower the authority to use property and/or sales tax increment financing (TIF) to support its activities. Similar to the tax-increment provisions of the Longmont Downtown Development Authority (LDDA), the statute provides that the urban renewal plan may provide for a division of the general property taxes levied and collected each year against the real and personal property within the boundaries of the urban renewal area by all of the taxing entities (i.e., county, city, school district, special district, or other taxing entity). Those taxes produced by each taxing entity collected in the year ending on December 31 in the year preceding the approval of the urban renewal plan comprise the “base amount”. In subsequent years, any taxes collected over the base amount (the tax increment) is considered to be the result of the urban renewal plan and those revenues are paid into a special fund of the urban renewal authority for meeting any expenses or debts of the authority. The taxing entities continue to receive their respective shares of the base amount. If property TIF is authorized by the urban renewal plan, the property TIF goes to the urban renewal authority. Because the taxing entities sometimes perceive that the authority is taking “their” taxes, the city must work closely with and request support from the other taxing entities affected by it.

The City may allow the authority to utilize all, or a portion, of the City’s sales tax increment generated in the urban renewal area. The base amount is established in the twelve month period ending in the month preceding the adoption of the plan or amendment thereto authorizing sales TIF. The increment collected in subsequent months is then paid into the authority’s special fund, and the city continues to collect the base amount.

Tax increments can be paid to the Urban Renewal Authority to meet its obligations for a maximum period of 25 years.

## **Financing Improvements**

The authority may issue bonds that are special obligations payable from the tax increment described above or payable from any funds derived by the authority in connection with any urban renewal project. The bonds are obligations of the authority and are not an indebtedness of the municipality. Because the bonds are issued by the authority, neither the statutory limitations on indebtedness nor the debt limitations of a home rule charter apply.

The Colorado Court of Appeals has ruled that an urban renewal authority is not a “district” for purposes of TABOR. As a result, the authority is not required to hold an election to authorize the issuance of bonds or other indebtedness.

This feature is very promising for use with redeveloping the Sugar Mill, Flour Mill or other properties identified in an urban renewal plan.

## **Advantages and Disadvantages**

Given the above background information, the following questions have been formulated in an effort to help determine if reviving the Longmont Urban Renewal Authority (LURA) would be appropriate at this time.

A. What is the difference between the LDDA and LURA?

1. LURA operates city-wide and not just within the central business district;

The LDDA is restricted to the central business district. Any expansion must be consistent with the definition of that district and must be the result of a petition of the owners of the land to be included.

The City Council may adopt an urban renewal plan covering any area of the City, provided it meets the statutory definition of a blighted area. Landowners need not consent to the inclusion of their properties within the urban renewal plan area.

2. LURA has the power of eminent domain that can be used to facilitate its redevelopment efforts. The LDDA has no eminent domain authority. This power will likely be challenged by the legislature in 2004.
3. LURA may, but is not required, to offer relocation assistance to businesses and tenants forced to move because of a project. The LDDA is not empowered to do so.
4. LURA may impose new building and land use standards in addition to existing zoning;

An urban renewal plan, after a public hearing and with the consent of the City Council, may restrict the type of uses that may be allowed in a project area without the necessity of rezoning and may create standards for construction within the urban renewal area. This is particularly useful when the project area contains a number of different zones. There is no such authority within the LDDA law.

5. LURA may operate in areas of open land.

So long as the area meets the definition of blight, an area of open land can be subject to an urban renewal project. Open areas in the vicinity of the Sugar Mill or the Ken Pratt Boulevard extension could be included in an urban renewal area. Again, the LDDA is restricted to projects within the central business district.

While currently permitted, this will be the subject of new legislation this session.

6. LURA has its own bonding authority, the LDDA does not.
7. Urban renewal authorities are not subject to TABOR, so LURA bonds would not require voter approval.
8. LURA may offer incentives to development.

Incentives in the form of reimbursements for public improvements, or buy-downs of the cost of land can be offered to potential developers of retail, commercial, industrial or housing projects. It is unclear whether the LDDA has that authority.

- B. Would using an urban renewal authority enhance the city's ability to redevelop its blighted areas?

Due to the geographic limitations of the LDDA, having an urban renewal authority that can prepare plans and implement financing techniques for areas of the community that everyone concurs are blighted such as the Sugar Mill, should greatly enhance the City's ability to assist in redeveloping such properties.

LURA can:

- Raise funds without the need of an election
- Use eminent domain to put together parcels for projects
- Provide relocation assistance to displaced businesses
- Establish overall architectural and land use development guidelines for projects within the urban renewal district.

- C. Should LURA be staffed by the City or be kept separate?

Attached is a list of municipalities having either an URA or a DDA. As you can see, most are formally staffed by the municipality and some have independent staff reporting

directly to the URA or DDA Boards. Because an economy of scale is achieved by using existing City administrative staff and other internal city services the Council may want to seriously consider this approach as this is what is occurring in the newer URA's in the state.

D. If the City Council would like to reactivate the LURA, what steps must be taken?

The Library Board was appointed as the ex-officio board of LURA pending its activation because an original LURA Board member was serving on the Library Board at the time the City needed action from the LURA to release some old construction liens. To reactivate LURA as a citizen board, should only require appointment of new commission members by the City Council.

Other cities have the Board comprised of Council members to retain more direct decision making authority on matters relating to implementing the urban renewal plan. To reactivate LURA with the Council as the board would require an election in Longmont since the original LURA was established as a separate board appointed by the City Council. If the Council were the LURA Board, some administrative efficiency would likely occur and the Council would have direct political accountability for LURA decisions rather than a separate board appointed by the Council. Because of this, the Council may want to strongly consider the option of asking the voters to allow the Council to serve as the LURA Board.

E. What about the Flour Mill and Sugar Mill sites and the LDDA?

We are exploring the possibility of removing the Flour Mill site from the LDDA, so long as it does not affect the coverage on outstanding TIF bonds, and include it in an urban renewal district. As an example, the urban renewal district could cover not only the Flour Mill site and the immediately surrounding properties, but could extend down South Main Street to the new Ken Pratt Boulevard and east to Martin Street or go even further to include the Sugar Mill site. All would depend on the conclusions of a blight study.

The benefits are many. The urban renewal plan could create comprehensive redevelopment objectives for this whole area, not just for individual properties. There would be cohesiveness to the redevelopment as it would be governed by uniform standards. Any redevelopment project would have to conform not only to the city development code, but to the urban renewal plan as well. It does create the framework for potential redevelopment. TIF revenues generated in one part of the district could be used for projects in other parts of the district.

### **Discussion Questions**

Should the City Council revive the Longmont Urban Renewal Authority for the purpose of undertaking a blight study for the Flour Mill, Sugar Mill or other appropriate sites? If the answer

to this question is yes, then the staff offers the following two scenarios for the Council's consideration:

#### Scenario A

- 1) Advertise and appoint new LURA members. Accomplish during 2004 1<sup>st</sup> qtr.
- 2) Allocate \$30,000 for a blight study to retain a consultant to complete by the end of 2004. If money is unavailable then re-prioritize staff projects to be able to accomplish in 2004. We will know in June of 2004, if we were successful in receiving a Brownfields grant that can be used for this purpose.
- 3) Solicit developers for the two areas

#### Scenario B

- 1) Allocate \$30,000 for the blight study to be undertaken in 2004 and completed by the end of 2004.
- 2) Propose a ballot initiative that would allow the Council to be the URA Board – future election?
- 3) Solicit developers for two areas.

Municipality	Type of Authority	Using Tax Increment Financing	Does City Staff provide support?
Arvada	URA	Yes	Yes
Aurora	URA	Yes	Yes
Boulder	URA	No	Yes
Brighton	both	No	Yes
Broomfield	URA	Yes	Yes
Colorado Springs	URA	Yes	Yes
Commerce City	URA	n/r	No
Delta	URA	No	No
Denver	URA	Yes	No
Englewood	URA	Yes	Yes
Estes Park	URA	Yes	Yes
Federal Heights	URA	Yes	Yes
Ft. Collins	DDA	Yes	No
Glenwood Springs	DDA	Yes	Yes
Golden	URA	Yes	Yes
Greeley	URA	Yes	Yes
Grand Junction	DDA	Yes	No
La Junta	URA	Yes	No
Lafayette	URA	Yes	Yes
Lakewood	URA	Yes	Yes
Las Animas	URA	No	Yes
Longmont	DDA	Yes	No
Loveland	URA	Yes	Yes
Monte Vista	DDA	No	Yes
Mt Crested Butte	DDA	Yes	Yes
Northglenn	URA	Yes	Yes
Pueblo	URA	Yes	Yes
Rangley	DDA	No	n/r
Silverthorne	URA	No	Yes
Sterling	URA	Yes	No
Superior	URA	Yes	Yes
Thornton	URA	Yes	Yes
Westminster	URA	Yes	Yes
Wheat Ridge	URA	Yes	Yes
Woodland Park	DDA	Yes	Yes