

Topics and Goals

Page 7 of 92

1. How to **Be Strategic** about Creating an **Urban Renewal Project**
2. How to **Leverage** a **Tourism-Based** Economy to Generate **Affordable Housing**
3. Understanding **Tax Increment Financing (TIF)** – Its Opportunities and Constraints



Be Strategic



Lessons Learned

- Durango Renewal Partnership
 - Powerful example of **Consensus Building**
- **Alignment** with Adopted Plans
- **Comprehensive** Conditions Surveys
- **Leveraging** Impact Report
- Lessons Learned:
 - A Strategic Process helps ensure consensus and success



Do you need to extend infrastructure? Preserve open space? Revitalize a historic property? A URA may be your answer.

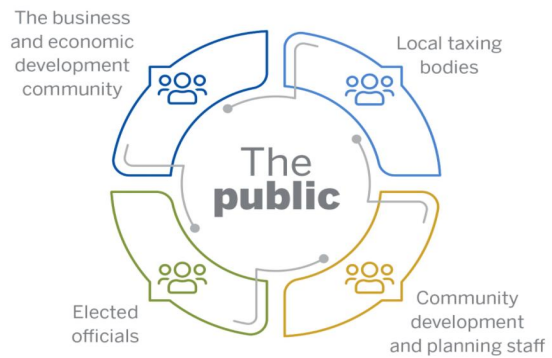


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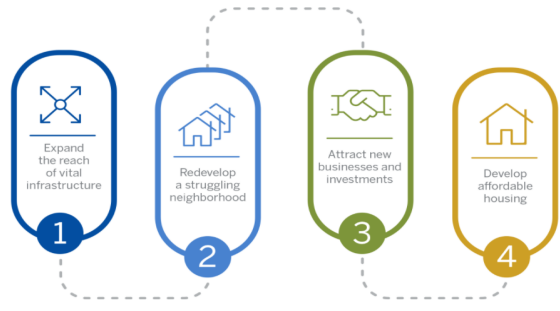
Public Outreach

- **Strategy = Be Proactive**
- The City **cultivated support** for economic development
- In forming their URA, City Staff **pre-emptively approached key stakeholders and organizations**
- Costs and Benefits were **clearly articulated**
- Reports were conducted in a **comprehensive manner**

A successful URA is fully backed by:



A URA Can Help Your Community:



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Plans and Reports

Page 11 of 92



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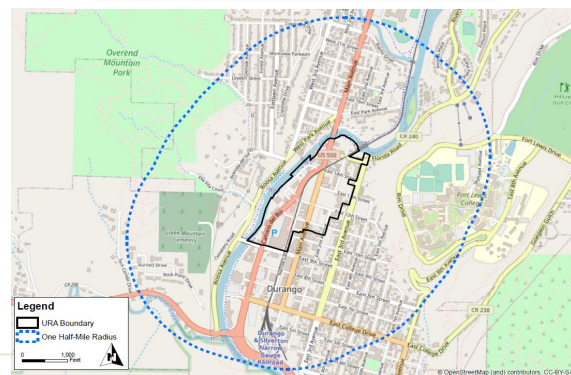
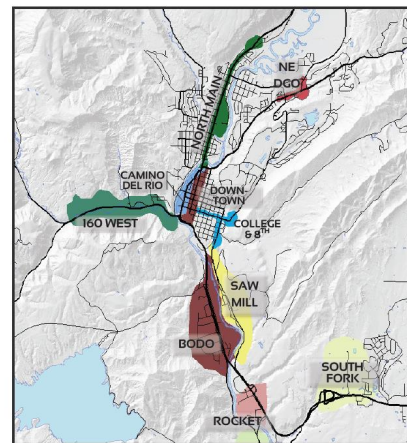
Page 14 of 262

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Conditions Surveys

- Strategy = Comprehensive
- SEH conducted 2 Conditions Surveys for the City:
 - General Conditions Survey
 - Midtown Conditions Survey
- General Conditions Survey Aligned with **Character Districts**
- MidTown Conditions Survey focused solely on **Project Area**

Page 12 of 92

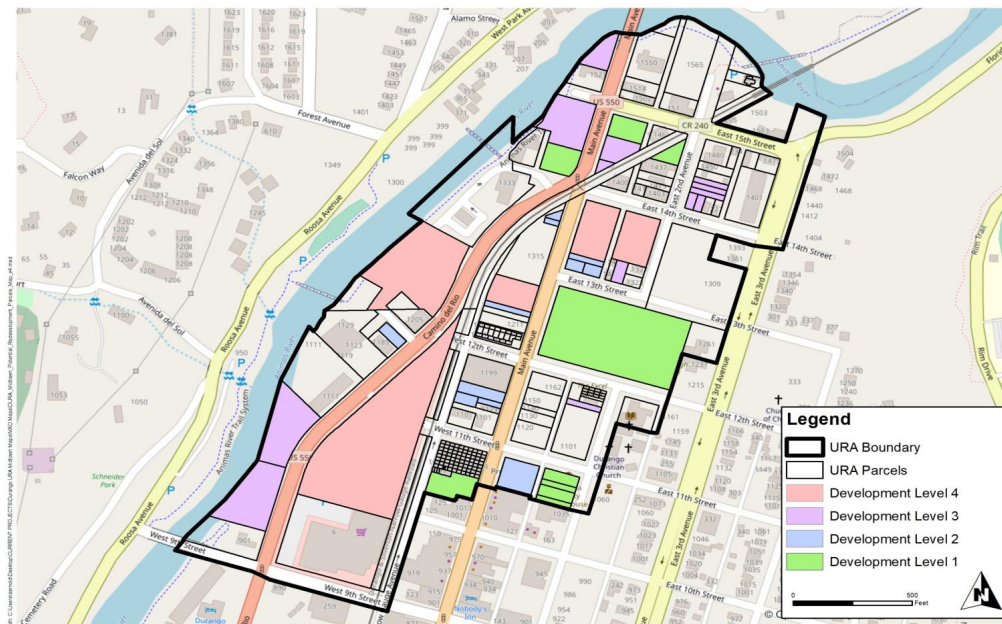


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Impact Reports – A Roadmap

Page 13 of 92



Midtown URA Boundary
City of Durango, Colorado

FIGURE
All Development Level Map



Project Number: DURPL 156124
Print Date: 1/18/2021
Map by: amsad
Prepared by: Source

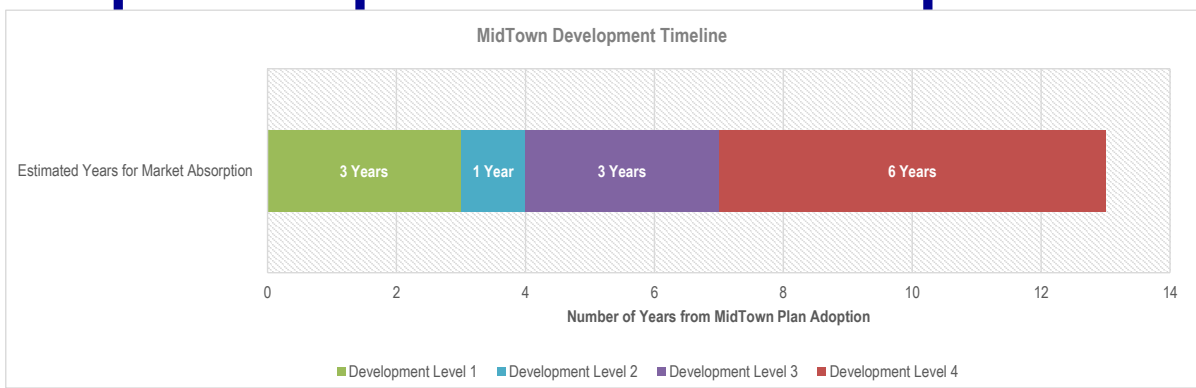


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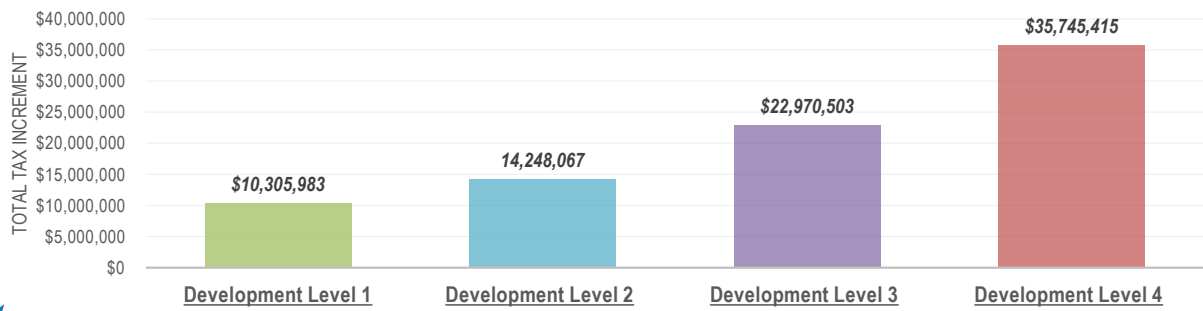
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Page 16 of 262

Impact Reports – A Roadmap



Estimated Tax Increment (*Real Property and Sales*) Generated by Development Level



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URAs, Tourism and Affordable Housing



What if I Told You...

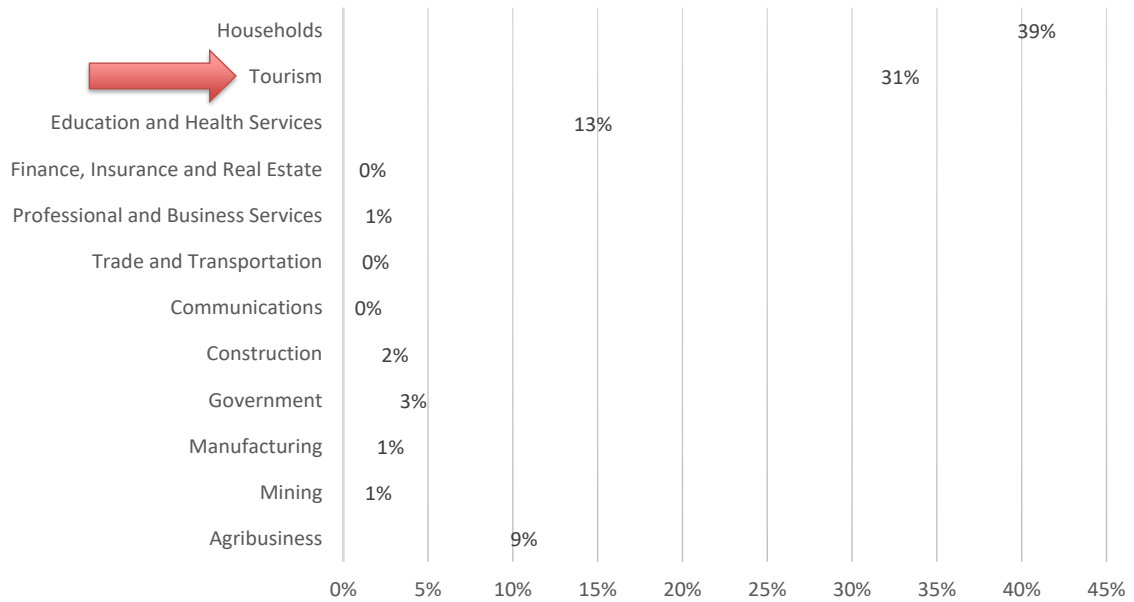
URA's can Leverage Tourism to help:

- Incentivize Affordable Housing
- Finance Public Infrastructure
- Generate Public Amenities



Tourism as a Base Industry

PERCENTAGE BASE INDUSTRY JOBS ARCHULETA COUNTY



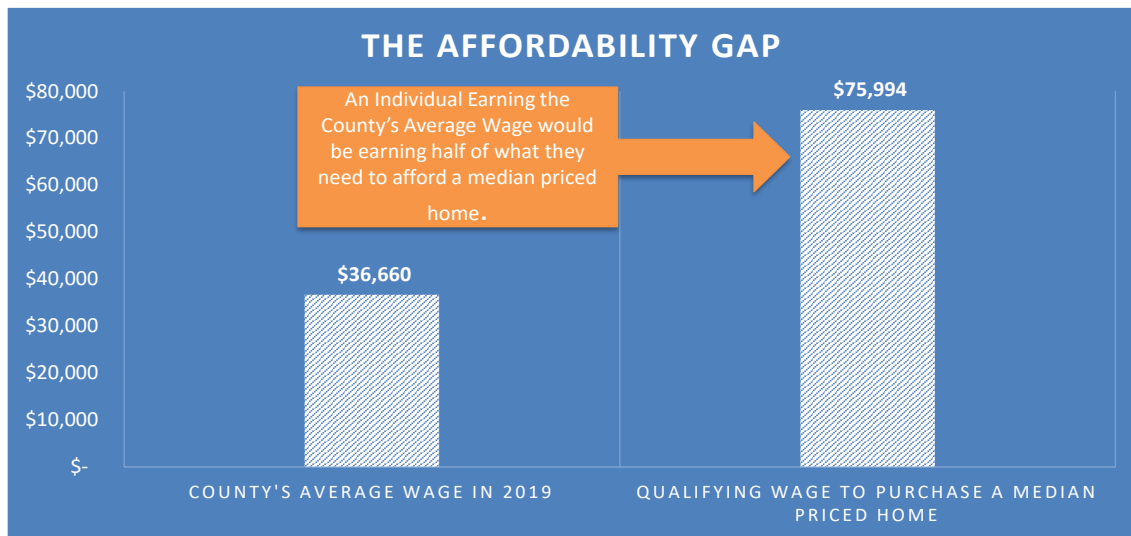
Page 17 of 92



The Missing Middle

- The Median Home Price in Archuleta County is \$410,000 * MLS Estimate through Nov. 2020

Page 18 of 92



Page 21 of 262

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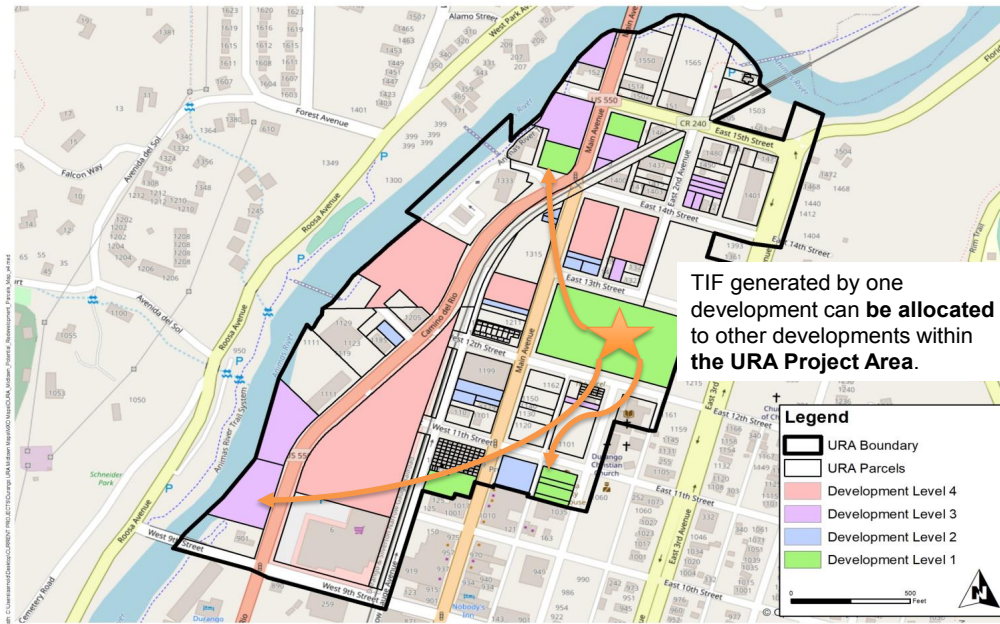
URA = Bridging this Gap

- An **Urban Renewal Project** can incentivize and **help fund housing** development:
 - Colorado’s Urban Renewal Law authorizes URA’s (and DDA’s) to **utilize Tax Increment Financing (TIF)**.
 - TIF is a financing mechanism that uses future tax revenues to help fund development today.
 - URA’s can **utilize TIF** on a specific activity, or leverage that increment on another activity **within the project area**.



URA = Bridging this Gap

Page 20 of 92



Project Number: DURPL 156124
Print Date: 1/18/2021
Map by: revised
Source:

Midtown URA Boundary
City of Durango, Colorado

FIGURE
All Development Level Map



Page 23 of 262

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TIF – Opportunities and Constraints

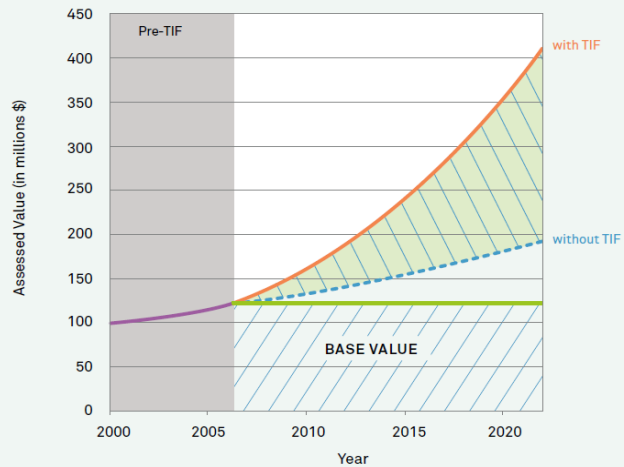
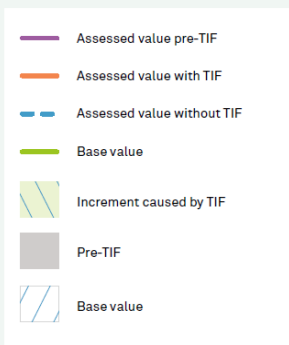


What is TIF?

- TIF is a **redevelopment strategy** that leverages a development's future tax revenues to incentivize redevelopment today

Page 22 of 92

Figure 1
Hypothetical Example of Assessed Value With and Without TIF



Source: Lincoln Land Institute



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Page 25 of 262

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Not all TIF is Created Equal...

- TIF can be based on **Property Tax** and **Sales Tax**
- The amount of **TIF generated** based on **taxable value**
- **Question: On a per-square-foot basis, which property generates the most taxable revenue?**



A



B



C



Assessment is Everything

- Because of **Assessment Ratios**, the taxable value for a development can *vary greatly*:

	Development X	Development Y
Market Value	\$ 1,000,000	\$ 1,000,000
Type of Development	Office Building	Apartment Building
Assessment Type	Commercial	Residential
Assessment Ratio	29%	7.15%
Taxable Value	\$ 290,000	\$ 71,500
Tax Area	5TC	5TC
Mill Levy	65.361	65.361
Annual Tax Revenue	\$ 18,954.69	\$ 4,673.31

- A Development's Tax Revenue can be as much as 4x different depending on its assessment
- *Lesson: Be Strategic when Incentivizing Development*



Balancing Incentives and Needs

- Commercial Development often generates more TIF, i.e. more incentives
- Residential Development is often a community need, i.e. affordable housing
- An Urban Renewal Project needs to balance these realities.



Pagosa Case Study

Page 26 of 92

- Assumptions:
 - Pagosa Springs has established a URA Project
 - Property is currently **Vacant**
 - Property is currently **Tax Exempt**
 - **Mixed-Use Development**



Page 29 of 262

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Pagosa Case Study Assumptions

- TIF Model Assumptions

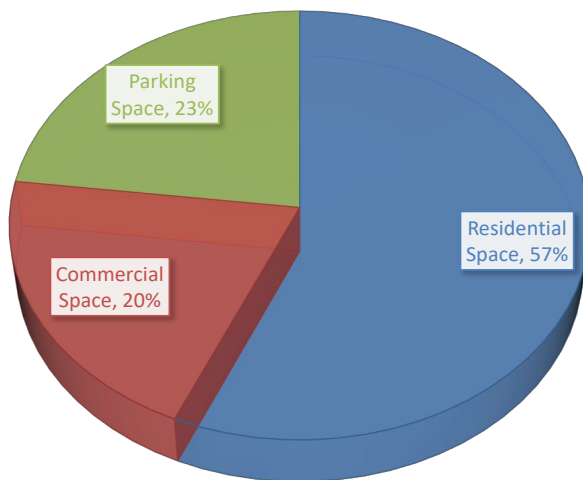
- The modelling assumes Pagosa’s URA collects 100% of the Property Tax Increment
- Assumes that property is within Tax District 5TC
- Assumes District Mill Levy equals 65.361 mills
- Assumes proposed development takes two years to complete...

Page 27 of 92



Development Scenario

MIXED-USE DEVELOPMENT SCENARIO



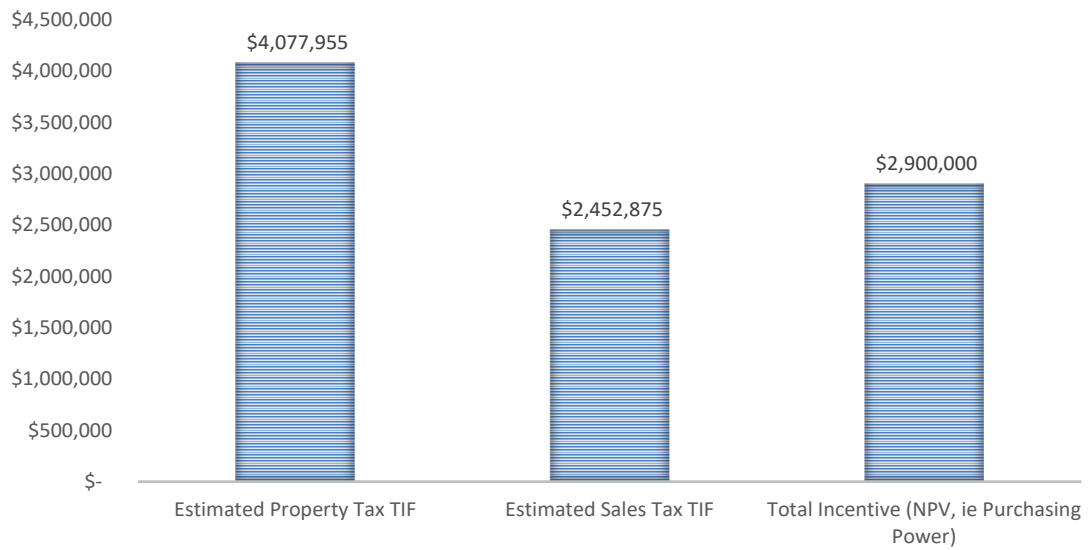
- Development Site is **0.5 Acres**
- Development is a **Mixed-Use Building**
- **Structured Parking**
- 95,977 Square Feet
- **78 Residential Units**
- 19,623 SF Commercial Retail
- Estimated **Assessed Value = \$2,491,190**



Forecasted Value

TIF PROJECTIONS AND INCENTIVE ESTIMATE*

Page 29 of 92



*The Incentive Estimate for this development assumes a Bond Issuance at a 5% discount rate and a 125% debt service coverage



Key Takeaways

- Balance community needs with development incentives
- Pagosa's mill levies can generate high levels of property tax TIF
- Mixed-use development generates higher TIF and more incentive
- If your Project Area is larger, you can leverage TIF generated by commercial developments to help fund affordable housing developments

