



## Memorandum

**To:** Loveland City Council

**Through:** Bill Cahill, City Manager

**From:** Mike Scholl, Economic Development Manager

**Date:** February 23, 2015

**RE:** South Catalyst Project/Budget Report

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### Budget Report:

The following memorandum offers a preliminary budget for the South Catalyst Project, including total costs that have been incurred for the project and projected costs going forward. The incurred costs are as of February 2, 2016. The budget is based on figures provided through the RFP process that estimates a \$52.7 million development project with an estimated proposed public investment of roughly \$18 million.

The budget is conceptual and has been updated throughout the process. In every case, except where actual costs are known, the figures are presented as conservative estimates of public costs. The budget is not intended as a commitment on the part of the City but rather a projection of possible costs for Council’s consideration and information.

The budget is highly dependent upon the scope of private development. The scale and design of the private development project will drive cost. In particular, the size of commercial development and the number of residential units proposed (if any) will determine the amount of parking to be

provided.

In addition, some costs will likely be borne by or split with the developer. The Brinkman Partners provided a list of proposed public costs in the RFP process. As the negotiations progress, items may be removed from the “public” list and be provided by the developer. As an example, the developer could build the parking garage, with a public portion of it sold to the City or DDA. If so, then the cost structure will shift considerably.

### Sources and Uses Chart

Sources of Permanent funding		Uses of Funding		
<b>1</b>	General Fund	6,500,000	<b>1</b> Property Acquisition	4,530,286
<b>1a</b>	Previously Obligated/General Fund	1,242,804	<b>1a</b> Prior Acquisition	1,242,804
<b>2</b>	Tax Increment or City Funded	3,500,000	<b>2</b> Pre-development Site Preparation	1,855,979
<b>3</b>	Power Undergrounding/Abandonment	100,000	<b>3</b> Other Public Improvements	2,150,000
<b>4</b>	Developer	2,700,000	<b>4</b> Parking Structure	8,000,000
<b>5</b>	Additional City Contributions	<u>4,136,862</u>	<b>5</b> Contingency (10% of total uses)	<u>400,598</u>
	Total	<u><u>18,179,666</u></u>		<u><u>18,179,666</u></u>

### Uses of Funding

**1** Property Acquisition 4,530,286

The City has spent \$4,530,286 to acquire the property. The City closed on the final parcel on June 30, 2015. This number is known and established.

**1a** Prior Acquisition 1,242,804

In 2009, the City purchased 222 E. 3<sup>rd</sup> Street, 233 N. Lincoln and 319 N. Lincoln for \$1,187,497. In 2011, the City purchased 301 N. Lincoln for \$55,307.

**2** Pre-development Site Preparation 1,855,979

To date, the City has spent or has currently obligated \$505,979 on pre-development activities.

- The Phase I Environmental Study and the ALTA Surveys were required as part of the property acquisition.
- As part of the tenant recruitment with the previous developer, the City participated in a cost share on the architectural renderings so that the City would maintain ownership of the work product. The City has copies that can be used for future recruitment and planning.
- The City has engaged SPD Consulting, to assist with the preliminary planning and cost estimating for the environmental remediation and demolition.
  - SPD has extensive experience in the field including the Mile High Greyhound Park redevelopment in Commerce City, Children’s Hospital demolition in downtown Denver, Mercy Hospital demolition in Denver, and the Tamarac Square redevelopment project.
  - SPD has completed the first round of investigation and cost estimation (see chart below) based on the known environmental factors.
- The asbestos testing is required to complete a comprehensive cost estimation.
- The City is in the process of acquiring an environmental liability insurance policy.
- The Development Review consultant was discussed by Council at the September 15<sup>th</sup> Council meeting. The City conducted an RFP process and hired Rick Wells from ReGen.

The chart below lists the pre-development activities that have been either completed or the City has contracted:

<b>Summary Spent/Obligated</b>	
<b>Pre-development Environmental</b>	
Phase I Environmental Study	50,259
Demolition & Site Readiness Consultant	105,182
Asbestos Testing	18,113
Partial Cleanup - 130 N. Cleveland	4,339
Environmental Liability Insurance premium	66,641
Phase II Environmental Study (Pinyon)	58,440
Excel - Gas Disconnect	31,220
Tree Removal	17,000
<b>Property Management</b>	25,790
<b>Pre-development Other</b>	
ALTA Surveys	29,495
Development Proposal Review Consultant	25,000
Preliminary Traffic Impact Study	16,000
Civil Engineering	47,000
Migratory Bird Survey	2,200
Architectural Renderings	9,300

<b>Total</b>	505,979
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- The demolition/remediation estimate was prepared by SPD Consulting.
  - Staff has a detailed breakdown and description of the costs that are listed by individual blocks.
  - It is inclusive of all properties including those previously purchased by the City.
- The Phase II is complete. The budget has been revised to reflect the findings.
  - Pinyon Environmental is completing additional testing of areas of concern.
  - The Phase II is primarily focused on all environmental conditions below ground and requires drilling samples.
- Staff began the bid process on February 19<sup>th</sup> and expects to bring a contract to Council for approval on April 19<sup>th</sup>.

Summary Estimated	
Demolition/Remediation	1,350,000
<b>Total</b>	<b>1,350,000</b>

**3 Other Public Improvements**                      2,150,000

The line item includes costs related to relocation of existing utilities, temporary parking and other public infrastructure improvements.

Summary Estimated	
Wastewater Relocation	450,000
Relocation of Power Lines	100,000
Curb/Gutter/Sidewalks	1,600,000
<b>Total</b>	<b>2,150,000</b>

- Wastewater relocation cost include removal and rerouting of the sewer line that runs in the alley between 2nd and 3rd Streets.
  - The estimate was prepared by the Water and Power Department.
  - If the alley is not vacated and nothing is built over the line, the potential expense would go away.
- The cost of relocating and undergrounding the power lines was prepared by the Water and Power Department.
- The cost includes paying Comcast and Century Link to relocate their fiber lines underground with the electric.

- The cost is covered by a System Impact Fee and is reflected in the Sources.
- The estimate for Curb/Gutter/Sidewalks was from the Brinkman proposal. They proposed a rate of \$9.02/square foot for site improvements at 168,500 square feet.

**4 Parking Structure** 8,000,000

This is a conservative estimate based on discussions with experienced private sector parking professionals as well as recent parking structure projects. The amount includes the cost of design, but not the land, which is captured in Line 1. The number of spaces is dependent upon the final project design and the estimate is for discussion purposes only.

- Based on information provided by the developer in the RFP.
- Staff had discussion with representatives from Walker Parking Designs (a leading international parking firm) who indicated that a short span design for a mixed use project runs around \$22,000 to \$24,000 per stall, plus 15 percent for design.
- Staff has received information on a comparable garage recently constructed in Denver at just over \$17,000 per stall construction cost (reported by Jay Hardy, Brinkman)
- Rocky Mountain Prestress has suggested a range of \$14,000 to \$20,000 per stall
- Means Construction Data, 2013 edition, reports an average national cost of \$19,500 per stall.
- Walker also published a newsletter, which listed the average cost per stall in 2014 as \$18,038 per stall.
- The City of Fort Collins is partnering on a parking structure for the proposed new hotel at a cost of \$33,000 per stall. The structure is more expensive in part because of higher end finishes and accoutrements for the hotel.

In conclusion, a cost of roughly \$22,000 per stall has been used which yields approximately 350 stalls.

**5 Contingency (10% of total uses)** 400,598

The contingency is based on ten percent of *Line 2 Site Prep* and *Line 3 Public Improvements*.

## Sources of Funding

**1 General Fund** 6,500,000

This amount has already been appropriated by the City Council and used for property acquisition and some limited pre-development site preparation cost. Of the \$6,500,000, \$4,748,906 has been spent.

**1a Previously Obligated/General Fund** 1,242,804

This amount was previously obligated by the City in 2009 and 2011. The funds were used to acquire four properties.

**2 Tax Increment or City Funded** 3,500,000

The \$3,500,000 estimate uses a mixed use development over a 10-year term through the Urban

Renewal Authority. The estimate is intended to be conservative. Any TIF financing (whether URA or DDA, if legal authority is gained with the proposed November 2016 election) is subject to the review and approval by their respective boards. If the DDA election is successful and the term of the TIF is extended to 25 years, the amount could increase to \$6.6 million. If TIF is used, then it will be received over time and an upfront sum of cash must be provided (see Appropriations and Cash Flow, below).

**3 Power Undergrounding/Abandonment 100,000**

Based on discussions with Water and Power Department, the \$100,000 is budgeted from System Impact Fees to offset the cost of undergrounding electric utilities.

**4 Developer 2,700,000**

The amount is taken from the proposal submitted by the Brinkman Partners for the Capital Cost of the parking structure. The estimate assumes one-third of the cost of the Parking Structure to be covered by the developer through a combination of capital contributions and/or fees to tenants.

**5 Additional City Contributions 4,136,862**

Additional City cash contribution may be made from either of two sources: General Fund reserve, or City Council Special Projects. Balances of these sources will be sufficient for contributions in 2017, when the first significant funding is needed. In addition, the site has approximately \$189,000 in prior use credits from the existing taps.

**Appropriations and Cash Flow for Project**

Some of the financial sources shown in Table 1 will be received over time, rather than upfront as cash. However, project appropriations needed by the City must be in cash. Taking the most conservative approach, if the entire amount is required to be appropriated, staff would recommend a mix of Interfund Loans and fund balance appropriations, as follows:

<b>Confirmed Funding Sources</b>	
General Fund	6,500,000
Prior Acquisition	1,242,804
Developer Contribution	2,700,000
<b>Total</b>	<b>10,442,804</b>
<b>Proposed Additional Funding Sources</b>	
Interfund Loans	3,500,000
Contribution from Power	100,000
Contribution from Fund Balances	4,136,862
<b>Total</b>	<b>7,736,862</b>
<b>Total Project Funding</b>	<b>\$ 18,179,666</b>

### Cash Flow Analysis

Year	1	2	3	4	5	6	7	8	9	10	11	12	13
	Prior	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
<b>Income/Revenue</b>													
Previously Obligated/General Fund	1,242,804	-	-	-	-	-	-	-	-	-	-	-	-
City Appropriation #1	6,500,000	-	-	-	-	-	-	-	-	-	-	-	-
City Appropriation #2	-	206,843	3,723,176	206,843	-	-	-	-	-	-	-	-	-
LURA Bond #1	-	-	2,625,000	-	-	-	-	-	-	-	-	-	-
LURA Bond #2	-	-	-	875,000	-	-	-	-	-	-	-	-	-
Developer Contribution	-	540,000	2,160,000	-	-	-	-	-	-	-	-	-	-
Power Undergrounding	-	-	100,000	-	-	-	-	-	-	-	-	-	-
<b>Subtotal Income/Revenue</b>	<b>7,742,804</b>	<b>746,843</b>	<b>8,608,176</b>	<b>1,081,843</b>	-	-	-	-	-	-	-	-	-
<b>Expenses</b>													
Prior Acquisition	1,242,804	-	-	-	-	-	-	-	-	-	-	-	-
Property Purchase	4,530,286	-	-	-	-	-	-	-	-	-	-	-	-
Pre-Development	235,301	270,678	-	-	-	-	-	-	-	-	-	-	-
Abatement and Demolition	-	1,350,000	-	-	-	-	-	-	-	-	-	-	-
Capital Cost/Parking Structure	-	400,000	7,200,000	400,000	-	-	-	-	-	-	-	-	-
Capital Cost/Public Improvements	-	-	1,720,000	430,000	-	-	-	-	-	-	-	-	-
Contingency	-	-	-	400,597	-	-	-	-	-	-	-	-	-
<b>Subtotal Expenses</b>	<b>6,008,391</b>	<b>2,020,678</b>	<b>8,920,000</b>	<b>1,230,597</b>									
<b>Tax Increment Revenue</b>													
Tax Increment (project only)					397,123.00	526,696.00	534,596.44	542,615.39	550,754.62	559,015.94	567,401.18	575,912.19	584,550.88
<b>Bond Payment</b>													
Bond Payment #1				339,949.51	339,949.51	339,949.51	339,949.51	339,949.51	339,949.51	339,949.51	339,949.51	339,949.51	339,949.51
Bond Payment #2					123,103.82	123,103.82	123,103.82	123,103.82	123,103.82	123,103.82	123,103.82	123,103.82	123,103.82
<b>Excess Tax Increment</b>				<b>(339,949.51)</b>	<b>57,173.49</b>	<b>186,746.49</b>	<b>194,646.93</b>	<b>202,665.88</b>	<b>210,805.11</b>	<b>219,066.43</b>	<b>227,451.67</b>	<b>235,962.68</b>	<b>244,601.37</b>

## Available Fund Balances

The repayment of the Interfund Loan at a 10 year term would range from \$450,000 to \$495,000 per year, subject to interest rates. The recommended sources for Contribution from Fund Balances are the Council Special Projects Fund and the Unassigned General Fund Balance. Estimated ending balances in these funds:

	<b>2016</b>	<b>2017</b>	<b>2018</b>
Council Special Projects <sup>1</sup>	2,740,307	3,042,920	4,543,026
Unassigned General Fund <sup>2</sup>	6,446,959	10,172,417	14,049,858

- <sup>1</sup>. Council Special Project's balance is higher than expected due to zero projects currently budgeted from FY 2016 – FY 2025.
- <sup>2</sup>. General Fund unassigned fund balance is higher than expected due to anticipated revenues exceeding projected expenditures in FY 2017 & FY 2018.