# Arvada Urban Renewal Authority (AURA) Board Meeting, June 3, 2015

Notes taken by Nancy Young

- *Audited Financial Statements - $1 million Property Write-Down re Hilton Hotel*
- *Does AURA quality for a private sector loan? Or should they rely on their "parent" - the City of Arvada?*
- *Former McDonalds & Burger King (now Monterey House) - mini-storage or Japanese auto repair? Which "looks better"?*
- *Solana Development agreement - received more time (to September 2018) to complete construction*
- *Arvada Triangle/Square - Loftus voluntary neighborhood meeting - neighbor concerns about hi-density, traffic, and local businesses replaced with more national chains*
- *Trammell Crow TOD - is there an "anchor" grocery store? Needs more time.*
- *Vineyard Church - found a "home" - with no parking*
- *Urban Renewal reform law (HB1348) - many uncertainties*
- *...and more...*

5:30 pm. Commissioners present were Fred Jacobsen, Page Bolin, Michelle DeLaria, Alan Parker, and Marc Williams. Commissioner Tony Cline arrived about 15 minutes late. Commissioner Piz-Wilson was excused by motion and vote. AURA Staff - Maureen Phair - Executive Director, Clark Walker - Redevelopment Manager, and Mike Polk, AURA Attorney (Deputy City Attorney, Arvada)
3 citizens were present.

2 City of Arvada employees (Brian Archer, Finance Director and Lisa Yagi, Asst. Director of Finance).

3 presenters - Steve Sauer, BKD (AURA auditor), Jason Simmons (First South West), and Scott Marcum (AURA real estate broker).

**Public Comment:**
John Kiljan reported that he took a private tour of PPOT (Park Place Olde Town), guided by the developer, Mark Goldberg. Mr. Kiljan is working on a photo essay of the building.

**Audit of 2014 financial results.**
Steve Sauer, representing the auditor BKD, stated that AURA's financials received an "unmodified" opinion (formerly known as "unqualified"), meaning that there were no serious errors in the required presentation of results.

He noted that the biggest change was a $1 million write-down (i.e., reduction) in the value of property held for resale - related to the former Brooklyn's property (to be sold for the construction of a Hilton Hotel). He also noted a small change of about $32,000 related to revenues and receivables in the Olde Town urban renewal district.

Commissioner Parker noted that such write-downs (referring to the former Brooklyn's property) affect every deal with a "concession" on the sale of land. Such concessions require an immediate write-down of the value of the property as carried on the books.

Chair Jacobsen noted that the $100,000 “allowance for uncollectibles”, related to the former Udi’s (now Silvi’s) loan is really an “allowance for redevelopment”. It was intended to “come off the back end” to compensate the cost of improvements made by the borrower. Steve Sauer noted that the audit results have been “signed off and issued”. He would be happy to make a note changing the wording of this item for next year. If the AURA Board determined that the term “allowance for uncollectibles” need to be changed now, it is possible, but would entail additional auditor work. Commissioner Williams noted a preference for independence of the auditors, with the change in wording to occur next year.

> [NOTE from published AURA financials: The original loan ($458,200 in 2009) was renegotiated in 2011. At that time, the loan amount increased to $488,969, reflecting the addition of unpaid interest. Also, an allowance of $100,000 was created for improvements to the property to made by Udi’s (now Silvi’s). This allowance was to be credited to payments due in 2018 and 2019. In April 2012, the unpaid interest (about $30,800) was forgiven in a loan renegotiation, thus reducing the amount of the loan. At that time, it also appears that a reduction of principal of about $42,000 also occurred. It is not clear if the reduction of principal is related to the $100,000 “allowance for redevelopment.”]

At about 5:50 pm, the agenda called for a review of 10-year financial projections. Ms. Phair noted the need for executive session. Under Colorado State law and the City of Arvada Charter, discussion of individual sales tax information could not be discussed in a public meeting. Also, Jason Simmons of First South West was expected to discuss the financing of the expected Arvada Square purchase. This item also would require an Executive Session as it pertained to “negotiations”. Therefore, the AURA Board entered Executive Session to address these two items, pursuant to CRS 24-6-402(4)(g), (4)(e), and (4)(a).

6:10 pm (approximately). The public was invited to return to the meeting at the end of the Executive Session.

The discussion was already underway. A spreadsheet showing revenues and expenses was displayed on the screen - too complex to be copied, followed by a second spreadsheet. These spreadsheets appeared to present financial projections for two five-year periods, covering 2015-2025. Neither spreadsheet was included in the packet available to the public.

The discussion focused on two loan alternatives for the purchase of the Arvada Square, which must be done by June 11, 2016. One alternative would be a loan from the City of Arvada for 12.5 years with interest at 3%. Jason Simmons of First South West suggested that a loan from the private sector would most likely carry an interest rate of about 4% for a term of 10-12 years. No discussions or negotiations have yet occurred. The loan could be structured in many different ways.

There were several different principal amounts either shown or discussed, with little explanation of why. The numbers presented were estimates for illustration only.

- $7.2 million for a private sector loan (includes interest added to the principal for the first 18 months when no payments would be required)
- $6.7 million for the City of Arvada loan
- $5.0 million (shown on the spreadsheet).

There were many Commissioner questions regarding various private lender requirements, such as up-front payment, collateral, calculation of annual payments, prepayment capability, and related items that could be negotiated. It was noted that the Hilton Hotel loan from the City will carry a 1.5% interest rate for 15 years.

Commissioner Williams suggested that both private sector and City loans be further investigated. Ms. Phair then asked whether the current $3 million in reserves was sufficient. This amount represents about three years of AURA expenses. Attorney Polk noted, for comparison, that the original urban renewal plan involved $35 million in debt with reserves at $4 million.

**Former McDonalds site** (Ralston Road, near Kipling). Scott Marcum, AURA's realtor, reported on possible buyers of this property, including restaurants, storage units, and light auto. The asking price is $250,000. There are two very interested purchasers:

1. Public Storage, a national company with a facility in Arvada at Eldridge and W. 64th. They offered to pay $350,000 cash for the property and would also acquire the neighboring Monterey House property (currently for sale) to improve access to the site. They would have an estimated 600-700 units in a 3-4 story building. The bulk of the units would be small, about 5 feet x 5 feet. A manager would live on the premises, which would be fully-sprinkled. Public Storage buildings typically look like a hotel. The land would need to be rezoned. The business would generate very little sales tax, although assessed values of such units tend to be substantial, suggesting meaningful revenues to AURA through tax-increment financing.
2. Japanese Auto Service, a family-owned and operated business currently located in Wheat Ridge. The company has a 30-year track record of success and services only Japanese cars. No rezoning would be needed. There would be some sales tax revenue for parts, although the bulk of such companies' profits are based on labor (no sales tax).

The discussion focused on the attractiveness of Public Storage buildings, with Commissioner DeLaria stating that "it would spruce-up the neighborhood". Commissioners questioned having two auto repair facilities next to each other. The consensus (no motion or formal decision) was to present a sketch plan to City Council for their feedback.

During this discussion, it was noted that the nearby building at Miller Street has been sold.

**Solana Development Agreement - 1st Amendment**
AIG, the firm underwriting the property tax TIF for this project, is concerned that MKS (the developer) might not be able to meet the December 2017 completion date. Metro Area projects are 9-12 months behind schedule due to labor shortages. While MKS expects to complete construction a month before the deadline, this expectation requires everything to "go right". To meet AIG's concerns, MKS is requesting an additional 9 months (to September 2018) to complete the project. Motion to approve passed.

**Brooklyns loan from City** - new proposal to be presented to City Council at first meeting in July
This loan now carries 3.5% interest and is collateralized by the property (now the Vineyard Church). Since the collateral will be sold for $500,000 for the Hilton Hotel, a new agreement is necessary. A proposal using TIF (tax-increment financing revenues) as collateral and lowering the interest rate to 1.5% will be on the Council agenda for July 6, 2015. Attorney Polk noted that in the loan agreement, the term "assignment" refers to the TIF.

NOTE: This loan of $2.8 million at 8.5% interest (from a private sector lender) became AURA's responsibility as guarantor in 2006 when Brooklyns defaulted. In subsequent renegotiations, the interest rate was lowered to 6.5%. In 2010, the City of Arvada granted AURA the current loan at 3.5% interest to repay the private lender.

**Walmart.** Closed on May 22. Environmental hazard abatement, followed by demolition of the buildings, will occur this summer. Construction is expected to begin this fall, with the store to open about a year later.

**Arvada Triangle/Arvada Square.** Loftus Development must decide whether to proceed by June 25. The project has been divided into two phases: Phase I involves the Triangle area (west of Holland, including the former Safeway); Phase II involves the Arvada Square Center. Loftus held a voluntary neighborhood meeting, as part of his due diligence, to discuss Phase I. According to Ms. Phair, about 100 people attended, and the community did not want to talk about Phase I. They were concerned about traffic, hi-density housing, and the loss of the businesses in the Arvada Square.

Loftus is negotiating with 24-Hour Fitness regarding the former Safeway building. Since 24-Hour does not need all of the space, Loftus would like to put additional retail on the corners. 24-Hour refuses to have unrelated businesses in the same building and wants the front and rear parts to be removed. However, they are unwilling to pay the cost to cut-up the building. If 24-Hour does not reach agreement, Loftus expects to replace the building with apartments.

Regarding the retail in Phase I, Ms. Phair stated that the community objected to national chains like Panera even though potential tenants are as yet unknown. She also noted that existing businesses in the Arvada Square could move into these spaces if they are willing to pay the asking rents and absorb the costs of tenant improvements.

**PPOT - Park Place Olde Town.** The leasing site is now posted.

**Trammell Crow TOD** (between Vance and the ByPass, south of the railroad). Trammell Crow finds lots of interest in "pads" (retail locations within this development). However, most potential lessors want to know who the anchor will be. In negotiating with grocery stores, it appears that proposals need to be reviewed at several levels within the grocery administration. As a result, it is taking longer to receive a commitment, which Trammell Crow hopes to see in 2016.

**Hilton Hotel.** The Vineyard Church has signed a lease in the former Jehn Building (on Vance). The nearby parking, however, is owned by Shelly Cook for her A-Ride business. The Church has permission to use the Community First lot (eastern Jehn building) on Sundays. The remaining lot in the area will be used on Sundays by the new Steubens for Sunday brunch.

**Commissioner comments:**

- Commissioner DeLaria reported on the Citizen Capital Improvements Committee, which has ended their task. Among the projects recommended by the Committee are: Ralston Road Corridor improvements for $16 million and 72nd & Indiana intersection. Projects that were not recommended included an overpass near Ralston Valley High School (study was recommended) and replacing the Westwoods Clubhouse. The Committee included a wide range of citizens and spent 1,000 hours on the work. Commissioner Williams received an email from citizen Kreutzer raving about the facilitator and the staff.

- Commissioner Bolin noted that the appeal period has lapsed, paving the way for the Jefferson Parkway.
- Commissioner Williams discussed the construction defects law. He noted that some court rulings suggest that if an agreement regarding repairs is part of the original HOA (homeowners association), that agreement cannot be changed without the agreement of the builder. He also noted that communities that have passed their own construction defects laws are seeing applications to build for-sale multi-family housing. There are mixed views among City Council members on whether Arvada should pass such a law.

**Staff reports.**
Ms. Phair reported that Ben Thurston, City planner assigned to the Arvada Square/Triangle and Trammell Crow projects, has resigned in favor of an offer from Greenwood Village. The July 1 meeting has been canceled. There will be a workshop on July 15 at Red Rocks Community College. The topics will include the College's planned expansion and the preliminary development plans of Richard Schierberg for the 11 acres next to the College. It appears that the City is planning a road from Kipling to serve the College and the expected Schierberg development.

Regarding the recently signed urban renewal law (HB1348), Attorney Mike Polk provided summary information. Carolynne White of the law firm Brownstein Hyatt Farber Schreck will present more details on this law at the August 5, 2016, AURA Board meeting. Ms. White was formerly staff attorney for the Colorado Municipal League.

- Three new, voting members are allowed, to be appointed by 1) the school district, 2) the county, and 3) by all other special districts affected by urban renewal. All other special districts include APEX, AFPD, metro districts, and urban flood control and drainage, among others.
- The Board can have up to 13 members. With a larger Board, AURA meetings will need to be held in a larger space - possibly City Hall.
- Some City ordinances, the IGA (intergovernmental agreement) between the City and AURA, and the AURA By-Laws will need to be amended to reflect the new law.
- Future projects are likely to require much longer to structure, perhaps as much as an additional 220 days. AURA must negotiate with every special district on the sharing of TIF (tax-increment financing) property tax revenues. If agreement cannot be reached, then the issue must go to mediation, which is different from arbitration. It is not known who will absorb the cost.
- It is possible that a master revenue agreement could be negotiated with each special district that would apply to all subsequent projects.
- All new plans are affected, as well as any existing plans that are amended. It is not known if minor amendments to existing plans would trigger the negotiation/mediation requirement.
- Commissioner Williams noted that the Governor has created a task force to assist in working out the administrative details and questions posed by this law.

At 7:50 pm, the Board voted to enter Executive Session regarding "the Vineyard Church request", under CRS 24-6-402(4)(e) - negotiations.