

AGENDA ITEM SUMMARY

City Council



STAFF

Matt Robenalt, Executive Director, Downtown Development Authority
Kristy Klenk, Finance & HR Manager, Downtown Development Authority
Adam Halvorson, Sr Analyst, Treasury, City of Fort Collins

SUBJECT

Second Reading of Ordinance No. 077, 2025, Replacing Ordinance No. 040, 2025, and Approving the Intergovernmental Agreement Between the City of Fort Collins and the Fort Collins, Colorado, Downtown Development Authority Governing the Use of a Line of Credit for the Financing of Downtown Development Authority Projects and Programs and Delegating to the Downtown Development Authority Thereunder the Power to Incur Debt in Relation Thereto as Authorized by State Law.

EXECUTIVE SUMMARY

This Ordinance, unanimously adopted on First Reading on May 6, 2025, approves an ordinance to authorize the Mayor to sign an intergovernmental agreement between the City and Downtown Development Authority (DDA) that will govern the processes for administering a line of credit for financing DDA projects and programs for a six-year term from 2025 through 2030 and a maximum pre-draw limit of \$5 million. **This item was previously approved by Ordinance No. 040, 2025; however, the Exhibits A, B, and C-1 to C-5 attached to and part of the intergovernmental agreement were not included in the meeting packet on March 18, 2025, for the second reading of the Ordinance. The only changes on this item for its approval and replacement of Ordinance No. 040, 2025, other than updating the dates, are the inclusion of the intergovernmental agreement attachments.**

The current Line of Credit (LOC) established in 2012 and renewed in 2018 by the City on behalf of the DDA expired at the end of 2024. The City and DDA began taking steps in early 2024 to renew this debt instrument with First National Bank of Omaha (FNBO) for another six-year term, as it will be needed by the DDA to execute its projects and programs beginning in budget year 2025 and continuing through 2030. The renewal of the bank authorized Line of Credit is needed by the DDA to satisfy compliance with C.R.S. § 31- 25-807(3)(a)(II).

On November 6, 2024, the Council Finance Committee reviewed the purpose and approach for bringing forth a third IGA to accommodate the DDA's authorization to use a Line of Credit and satisfy compliance with C.R.S. § 31- 25-807(3)(a)(II). The Council Finance Committee was supportive of advancement of the IGA to Council.

On February 13, 2025, the DDA Board adopted Resolution 2025-02 authorizing the DDA's approval of the IGA and the line of credit promissory note from First National Bank of Omaha. The IGA is now advanced to Council and pursuant to the DDA Act requires adoption by ordinance.

STAFF RECOMMENDATION

Staff recommends adoption of the Ordinance on Second Reading.

FIRST READING BACKGROUND / DISCUSSION

Title 31, Article 25, part 8, Colorado Revised Statutes and Chapter 2, Article IV, Division 1 of the City Code (the “DDA Statute”) has inherent processes that require the City and the DDA to work collaboratively to achieve the purpose of the legislation. Among these expected collaborations is the process for financing DDA activities. In 2012, Council adopted Ordinance No. 089, 2012, and the City and DDA established a line of credit (LOC) with First National Bank to satisfy the statutory requirement to generate proceeds from debt to be used by the DDA to execute its projects and programs and implement the DDA’s Plan of Development. The tax increment revenues are generated each year by the increase in property values within the boundaries of the DDA and the DDA Statutes require that those revenues be applied towards debt, and it is the proceeds from the debt that is technically used to fund projects and programs of the DDA.

In 2018, Council adopted Ordinance No. 066, 2018, to renew the LOC for another six-year term from 2019 to 2024 year end. This LOC expired at the end of 2024. The DDA and City began taking steps in 2024 to renew this debt instrument with First National Bank for another six-year term, as it will be needed by the DDA to execute its projects and programs beginning in budget year 2025.

Additionally, in 2012, Council approved Resolution 2012-081 and the DDA and City created an intergovernmental agreement (“2012 IGA”) that established the process by which the two organizations would:

- Initiate requests for a draw from the LOC
- Verify tax increment revenue cash available to repay the debt
- Account for the loan proceeds released from the LOC, and
- Execute repayment with tax increment within 7 days of the initial LOC draw

A second Intergovernmental Agreement Governing a Line of Credit for Financing Downtown Development Authority Projects and Programs was approved by City Council by Resolution 2018-046 to reflect the terms of the renewed LOC (“2018 IGA”).

What is New for 2025?

In 2023, Senate Bill 23-175 (“SB23-175”) was signed into law, amending state law to provide a new hybridized option for meeting the statutory requirements for financing the projects and programs of downtown development authorities. SB23-175 authorizes downtown development authorities to incur debt to be repaid by tax increment revenues if an intergovernmental agreement is in place between the municipality and the downtown development authority. Prior to SB23-175, the statute required that all debt issued for the benefit of the development authority be exclusively the debt of the municipality.

Many of the downtown development authorities in Colorado use the same line of credit financing approach as the Fort Collins DDA and City of Fort Collins. Because the approach has some steps that amount to busy-work for municipal finance staff, there was wide support to create an option to transfer much of the administrative burden to development authorities by allowing them to incur their own debt, pursuant to SB23-175.

To implement the authority granted by SB23-175, the staff of the City and the DDA began discussions as the 2018 IGA term ended on the steps necessary to establish a new line of credit. Staff also conferred with legal counsel serving the DDA and the City, as well as the bank through which the previous line of credit was issued, First National Bank. Based on these discussions, staff and legal counsel have drafted a third

intergovernmental agreement to clearly define the scope of authority being delegated to the DDA and to establish the necessary procedural steps between the City, DDA and bank.

The draft 2025 intergovernmental agreement (the “2025 IGA”) and the line of credit loan promissory note from First National Bank of Omaha were approved by the DDA Board on February 13, 2025. The 2025 IGA has now advanced to Council for approval. This schedule for adoption is several months ahead of when the City will receive the distribution of the 2025 tax increment revenues from the County Treasurer that would be applied to pay off any draws from a new line of credit established pursuant to the 2025 IGA, and this timing is supportive of the DDA's cashflow timing needs for projects it will be funding in 2025.

The purpose of this item is to correct an omission from the second reading meeting packet of Ordinance No. 040, 2025. This Ordinance and the 2025 IGA attached hereto as Exhibit “A”, if approved, will replace Ordinance No. 040, 2025 and the version of 2025 IGA which was attached thereto Exhibit “A”. On March 18, 2025, the version of the 2025 IGA before Council on second reading of Ordinance No. 040, 2025, was not complete because Exhibits A, B, and C-1 to C-5 attached to and part of the 2025 IGA were not included in the meeting packet. Other than changing the dates of action on and effective dates of this Ordinance and the proper inclusion of Exhibits A, B, and C-1 to C-5 to the 2025 IGA, this Ordinance, the 2025 IGA attached thereto as Exhibit “A”, and other explanatory and supporting materials (including this Agenda Item Summary) are the same as those presented to Council for its consideration on second reading and final passage of Ordinance No. 040, 2025 on March 18, 2025.

CITY FINANCIAL IMPACTS

When the DDA and City began using the LOC financing approach in 2012, it provided benefits and positive impacts over the much more expensive forms of financing such as issuance of traditional revenue bonds, certificates of participation, or private-placement financing with banks and other investors. Using the LOC approach to finance DDA projects and programs results in a significantly shorter period of time in which the debt incurs interest. The savings on financing costs means that more funding is available to invest directly into projects and programs in the downtown, and less is spent on finance fees and interest expenses.

DDA staff analyzed the savings from this approach used between 2012-2024 against that of the other forms of traditional financing used by the City and DDA in the past. The financial savings is significant. Since 2012, the LOC total interest and financing fees for \$46,758,242 of principal debt was \$19,006. In contrast, the total interest and finance fees for the City/DDA financing approach that traditionally used certificates of participation and private placement bonds for \$15,279,063 of principal debt was \$3,412,065.

Other benefits and positive impacts using the LOC include:

- Strong expression of fiduciary stewardship of public funds;
- Recognition that investment of tax increment funds, derived from property tax assessments of overlapping tax entities, creates positive growth in assessed value and thereby increased the value of the property tax base for all overlapping entities. (82% of the DDA tax increment comes from tax entities other than the City such as Larimer County and Poudre School District who benefit financially from the DDA's automatic share back of tax increment and the rising value of base assessed valuation in the district);
- Funding partnerships of the DDA undertaken with the City and private sector require no cost of capital charges assessed to the projects because the DDA has found a very inexpensive method to finance its debt used to support these partnerships; and
- Every draw made on the LOC is paid off within seven (7) days, which means no effect at the end of the calendar year on the City's fund balance or City Annual Comprehensive Financial Report, in which the DDA's finances are reported.

BOARD / COMMISSION / COMMITTEE RECOMMENDATION

At its November 6, 2024 meeting, the Council Finance Committee was supportive of bringing the 2025 IGA forward to accommodate the renewal of the bank authorized Line of Credit to be used by the DDA and satisfy compliance with C.R.S. §31-25-807(3)(a)(II).

DDA Board

At its regular meeting on February 13, 2025, the DDA Board of Directors adopted Resolution 2025-02, recommending to the Fort Collins City Council the renewal of a Line of Credit with First National Bank of Omaha for a six (6) year period with a maximum per-draw limit of five million dollars (\$5,000,000) to be placed in the Downtown Development Authority's Financing Activity Fund for expenditure on certain projects and programs in accordance with the Downtown Development Authority Plan of Development and the approval of the Intergovernmental Agreement governing the Line of Credit.

PUBLIC OUTREACH

None.

ATTACHMENTS

First Reading attachments not included.

1. Ordinance No. 077, 2025
2. Exhibit A to Ordinance