July 1, 2025

AGENDA ITEM SUMMARY

City Council

STAFF

Josh Birks, Deputy Director, Sustainability Services and Acting Executive Director, Fort Collins Urban Renewal Authority

SUBJECT

Resolution 2025-060 Approving the Development Agreement to Secure Public Benefits for the Foothills Mall Redevelopment.

EXECUTIVE SUMMARY

Staff is requesting that Council make the following motion to postpone consideration of this Resolution to allow the applicant additional time to draft and finalize details relating to the dedication of affordable housing in the Public Benefits Agreement.

Motion: "I move to postpone consideration of Resolution 2025-060, Approving the Development Agreement to Secure Public Benefits for the Foothills Mall Redevelopment, to July 15, 2025."

The purpose of this item is to seek approval of a Development Agreement to Secure Public Benefits for Foothills Mall Redevelopment. This item is related to another item on the agenda, Resolution 2025-059 Approving a First Amendment to the Amended and Restated Service Plan for Foothills Metropolitan District.

STAFF RECOMMENDATION

Staff recommends consideration by Council, after conducting a hearing on Resolution 2025-059, of action on this related item, Resolution 2025-060.

BACKGROUND / DISCUSSION

Legal and Procedural Requirements

Part 2, Article 1 of Title 32 of the Colorado Revised Statutes ("C.R.S.") authorizes the formation of a metropolitan district within the City by approval of Council of the district's proposed service plan, after a hearing on the proposed service plan which sets forth the public improvements and services which the district will provide, by adoption of a resolution and subsequent voter approval in favor of the organization of the district, per Part 3, Article 1 of Title 32, C.R.S.

Amendments to service plans which constitute a "material modification" of the originally approved service plan require additional approval and process that is similar to those upon formation of a district, including a public hearing on the proposed service plan amendments. C.R.S. § 32-1-207.

The City's Financial Management Policy 10 – Metro Districts (the "Policy"), as authorized by City Council Resolutions 2021-045, 2019-016, 2018-079, and 2008-069, further establishes the criteria, guidelines, and processes for the City in considering applications for service plans for proposed metropolitan districts and amendments to those plans. The Policy was originally adopted in 2008 and revised in both 2018 and 2021. The Policy sets expectations that metropolitan districts will provide broad public benefits, requires applicant assurances and specific commitments, and provides for enforcement of these public benefits by inclusion of related terms in district service plans, development agreements and other contracts. Policy Section 10.1 and Exhibit provide guidance to applicants on the evaluation of public benefits, including the delivery of housing that meets City priorities as articulated in various plans, including affordable housing (permanent, 80% AMI), workforce housing (permanent, 81%-120% AMI), infill/redevelopment projects, and projects that serve the City's economic health.

History of the Foothills Mall Redevelopment

Prior to redevelopment, the owner of Foothills Mall – Alberta Development Partners, in partnership with Walton Street Capital (the "Original Developer") - requested the formation of a Metropolitan Districts as allowed by Title 32 of the Colorado Revised Statues. On May 7, 2013, Council approved, by Resolution 2013-44, an Amended and Restated Service Plan for Foothills Metropolitan District (the "District") to operationalize significant components of the Redevelopment and Reimbursement Agreement (the "Agreement") between the City of Fort Collins (the "City"), Fort Collins Urban Renewal Authority, Walton Foothills Holdings VI, LLC and the District.

The Original Developers undertook a comprehensive redevelopment of the Foothills Fashion Mall (the "Original Project"). The Original Project included mixed use redevelopment with a commercial/retail component, a commercial parking structure and 402 multi-family dwelling units on 76.3 acres. Construction of the Project was completed in 2016.

Previous Public Finance Package

The original redevelopment effort was supported by a bond issued by the District which facilitated $53 million of net bond proceeds to fund public infrastructure improvements, the Foothills Mall Activity Center, and an underpass beneath College Avenue connecting the Original Project to the MAX Bus Rapid Transit. The bond was supported by a public finance package that included five revenue sources: (a) Metro District Capital Mills; (b) Metro District Specific Ownership Tax; (c) Property Tax Increment; (d) a Public Improvement Fee; and (e) Sales Tax Increment.

All revenues were pledged to the District for the duration of the tax increment collection period (2014 to 2038) to support repayment of the bond. The pledge of the sales tax revenue was intended to support the bond debt service only if needed and to fill a supplemental reserve account required by bond terms. Any pledged sales tax increment revenue more than that commitment was to be remitted back to the City. Currently, the City has not received any excess sales tax increment revenue.

Current Situation

Since its completion, the Original Project has been able to consistently lease out the retail shops along College Avenue at approximately 90 percent occupancy. However, the interior portion of the property – the enclosed retail shops – have struggled to achieve similarly high rates of occupancy with only 49 percent occupancy today. Further, since 2016, there have been international and national trends that have impacted consumer and other market behaviors within the bounds of the Current Project, including retail consolidation, the 2020 COVID pandemic, rising construction costs, increasing housing costs. These international and national trends are major considerations that factor into renewed investment in the site.

In the near term, activities within Original Project are not generating robust tax and increment revenues. Presently, the pledged revenues, all together, are just sufficient for repayment of annual debt service. The Current Developer's bond underwriter's forecast indicates that pledged revenues may not be sufficient for annual debt service payments sometime in calendar year 2028. To address a potential insufficiency of revenues under the present financing structure, the Current Developer is proposing changes necessary to refinance the debt. To accomplish this, the existing principal balance of the original bonds, approximately $62 million, would be refunded. Then, to align revenues with the debt obligation, the Current Developer is requesting the ability to issue new bonds based on revised and to pledge new revenue sources to support a second approach at redevelopment.

CURRENT PROPOSED PROJECT

The proposed project builds upon a previous redevelopment seeking to address inefficiencies of the current site as well as additional redevelopment not possible under the previous attempt due to outstanding leases and property ownership, namely the redevelopment of the Macy's building. As a result, the proposed project will include the following major components:

- A ***32 percent reduction in existing retail square footage*** with a significant reimagining of the current enclosed mall portion of the property. The goal is to "right size" the amount of retail to position the site for long-term success.
- Approximately ***300 new housing units*** across a range of types including townhomes, stacked condominiums and affordable rental.
- Around ***11 acres of new public space and trails***.

PROPOSED AMENDMENT

The First Amendment to the Amended and Restated Service Plan for the Foothills Metropolitan District (the "First Amendment") proposes several aspects of the current service plan. Please refer to the materials on that related item for additional information on the proposed First Amendment, Resolution 2025-059.

METRO DISTRICT POLICY

As above, the City adopted its Policy for reviewing service plans for metropolitan districts. The 2021 Policy revisions focused on emphasizing disclosure and transparency requirements and add an evaluation points system for the public benefits provided by metropolitan districts ("Metro Districts") serving primarily residential development.

<u>Residential Evaluation Point System</u>

As above, the District was approved by Council in 2012 and later amended in 2013. The District primarily exists as a financial conduit to create public financing to offset the cost of infrastructure required by the redevelopment project. As such, its primary purpose is not to serve residential development; however, it clearly funds significant infrastructure that will support residential development. The original project included 402 multifamily units, and the current proposal will increase that number by approximately 300 units.

The original District was adopted before the 2021 policy revisions. Additionally, the proposed project builds upon a previous redevelopment not starting from scratch. As such, staff does not recommend strictly enforcing the residential evaluation point system. However, the project vision does deliver on several aspects of the residential point evaluation system. Below is an overview of the public benefits delivered by the proposed project:

- **Environmental Sustainability Outcomes**

    1. <u>Green House Gas Reduction</u>: shifting to a walkable urban-scaled village potentially reducing reliance on the car and reducing overall greenhouse gas emissions; adaptive re-use of existing structure over demolition; focus on recycling and re-use programs.

    2. <u>Water and/or Energy Conservation</u>: committed to LEED certification of new construction.

3. Multimodal Transportation: Strengthen pedestrian and bike connections to College Ave underpass to Max BRT; provide additional dedicated bike lanes and related bike infrastructure; provide six new "bike gardens" throughout the site; 20-30% reduction in overall surface parking.

4. Enhance Community Resiliency: Repair and improve existing Low-Impact Development and district-wide stormwater management systems; dramatically increase precent of permeable area.

- **Smart Growth Management**

  1. Increase Density: Densify a designated TOD site with approximately 300 new attached housing units (range of product types: townhomes, stacked condominiums, and affordable rental); leverage existing parking structure to achieve higher densities.

  2. Walkability & Pedestrian Friendliness: Remove sprawling surface parking lots that act as a barrier between the commercial core and surrounding residential areas; provide new protected pedestrian connections between commercial core and College Avenue Shops.

  3. Public Space: Re-envision east plaza; provide a new flexible "band shell" adjacent to the village green to enhance opportunities for activation; remove portions of the mall roof to create more outdoor shopping experience.

- **Strategic Priorities**

  1. Affordable Housing: Commitment to set aside approximately 30,000 square foot lot adjacent to the existing parking structure at no cost for a 50–60-unit affordable housing project; project can leverage the district owned garage reducing the cost to construct higher density product.

  2. Attainable Housing: No deed restricted for-sale homes are proposed; however, the project is anticipated to provide a range of attached housing types at a range of price points.

  3. Infill/Redevelopment: Focus on 15-minute city design; redevelopment of 62 acres in the heart of midtown; consistent with Midtown Plan (2013); served by existing infrastructure; no threat to open space, farmland, or other greenfield sites that contribute to sprawl.

AFFORDABLE HOUSING PLEDGE

The Current Developer has offered a donation or contribution pledge of a 30,000 square foot parcel of land for the "the exclusive use of Affordable Housing." Based on zoning and average densities, the Current Developer believes such a parcel could support between fourteen (14) and twenty-eight (28) units. These units would be deed restricted in perpetuity and meet the following definition of "Affordable Housing" – affordable for households earning eighty percent (80%) of the area median income for a family of four for the Fort Collins/Loveland Metropolitan Statistical Area published annually by the U.S. Department of Housing and Urban Development ("AMI"). The units constructed on the parcel will remain affordable in perpetuity through a restrictive covenant or deed restriction.

This pledge would be secured by a Development Agreement to Secure Public Benefits for the Foothills Mall Redevelopment ("Public Benefits Agreement" or "PBA") between the City and the Current Developer, by adoption of this Resolution. The Public Benefits Agreement, if approved, would be effective at the same time the First Amendment is effective, and obligate the Current Developer to taking actions to designate a parcel upon the approval of its Final Development Plan ("FDP") by the City. The Current Developer may, pursuant to the PBA, fulfill its obligation in one of the two ways:

1. By executing a contract to donate or contribute the parcel to a non-profit or for-profit builder for the purpose of developing Affordable Housing; or
2. By making a reservation of the property by the Current Developer for the benefit of and legally enforceable by the City for the eventual donation or contribution to an entity for development of affordable housing.

The result of the pledge, if approved by this Resolution and taking effect upon the First Amendment, by adoption of Resolution 2025-059, and as further specified by actions conditional for approval of the FDP, would be a dedication by the Current Developer of an affordable housing pledge that would constitute of four percent (4%) to nine percent (9%) of the total potential residential units of up to three hundred (300) units, as per the Current Developer at the Council Finance Committee meeting on February 6, 2025.

CITY FINANCIAL IMPACTS

None; but please see information related to the connected item, Resolution 2025-059.

BOARD / COMMISSION / COMMITTEE RECOMMENDATION

Information related to the connected item, Resolution 2025-059, was presented to the Council Finance Committee on February 6, 2025, with a recommendation to refer to Council for consideration with additional information on district revenues, firm details on affordable housing commitment, and clarity on the Public Improvement Fee amount.

PUBLIC OUTREACH

None; but please see information related to the connected item, Resolution 2025-059.

ATTACHMENTS

1. Presentation
2. Resolution 2025-060