

AGENDA ITEM SUMMARY

City Council



STAFF

Jonathan Piefer, Senior Real Estate Specialist
Ralph Campano, Real Estate Services Manager
Jason Graham, Water Utilities Director
Ken Sampley, Stormwater Engineer/Development Review Director

SUBJECT

Second Reading of Ordinance No. 037, 2024, Authorizing the Conveyance to N College 1311, LLC, of a Portion of the City Property Designated as the Future Hickory Detention Pond in Exchange for Adjoining Property and Other Valuable Consideration.

EXECUTIVE SUMMARY

This Ordinance, unanimously adopted on First Reading on February 20, 2024, permits the conveyance of approximately 1.31 acres (57,064 sf) of City property (the "Conveyed Parcel") to N College 1311, LLC, ("Owner"), as well as a possible temporary construction easement or license to enter, and acceptance of Natural Habitat Buffer Zone on City property, in exchange for approximately 2.43 acres (105,723 sf) of Owner's adjoining property (the "Received Parcel") and other valuable consideration.

STAFF RECOMMENDATION

Staff recommends adoption of the Ordinance on Second Reading

BACKGROUND / DISCUSSION

Hickory Detention Pond

The Conveyed Parcel was purchased by the City on July 30, 2010, from Amada, LLC, as part of a 7.53 acre tract of land (the "City Property") on Hickory Street intended to be used as a future regional stormwater detention pond (the "Hickory Detention Pond"). The Hickory Detention Pond will provide stormwater runoff detention, water quality treatment, and a stormwater outfall for new and existing developments in the North College Area of the Dry Creek Basin. The future construction of Hickory Detention Pond will also provide flood protection to southern portions of the Dry Creek Basin. The North College Urban Renewal Authority identified the Hickory Detention Pond project as a top priority for investment in the area.

As a result of this proposed transaction (the "Subject Exchange"), the City will gain an additional net 1.12 acres (48,659 sf) (the "Additional Acreage") to be used for the future construction and operation of Hickory Detention Pond (the "Larger Pond Site"). The City will also obtain the additional benefits discussed below.

The Shelter Project

The Received Parcel was purchased by the Owner on May 6, 2019, as part of a 5.21 acre tract of land (the "Owner Property") intended to be used by the Fort Collins Rescue Mission ("FCRM") for future development of a supportive shelter project for those experiencing homelessness (the "Shelter Project"). FCRM has submitted plans to the City for the Shelter Project, which is currently in the development review process. The Owner has proposed the Subject Exchange as a mutually beneficial transaction: while site analysis shows the Shelter Project can be built on the Owner Property without use of the City Property, the Subject Exchange would benefit both the Shelter Project and the development of the Hickory Detention Pond by optimizing the configuration of both Properties for their proposed uses. The Hickory Detention Pond would benefit from more efficient capture of stormwater draining from the north, and the new alignment of the City Property would allow for an existing tree grove to be incorporated into the Pond. If the Subject Exchange does not happen, the City will need to acquire and maintain an easement across the Owner Property to get stormwater from the north to the Hickory Detention Pond.

Land Valuation

The main issue to determine regarding the Subject Exchange is whether the City Stormwater Utility ratepayers would be adequately compensated for the exchange of the Conveyed Parcel. To make this determination, the City has relied primarily on an appraisal prepared by Jon Vaughan, MAI, SR/WA of CBRE of Hickory Detention Pond using the Before and After methodology as it applies to the Subject Exchange (the "Appraisal").

Although the Additional Acreage will expand Hickory Detention Pond, the overall effect of the Subject Exchange on the Larger Pond Site is a reduction in value. Primarily, the Subject Exchange includes the transfer of approximately 86,734 square feet of additional Natural Habitat Buffer Zone ("NHBZ") onto the Larger Pond Site, which restricts many types of development on approximately 44% of the Larger Pond Site.

Additionally, the Larger Pond Site will have an irregular shape and reduced frontage on Mason Street, which further limit its value based on future development potential. The Appraisal concluded that the Subject Exchange results in a loss of \$250,000 in Fair Market Value to the City because the value of the Larger Pond Site after the Subject Exchange is less than the value of the City Property before the Subject Exchange.

Additional Consideration

The Subject Exchange includes related benefits that the City and Owner agree are in their respective best interests and will compensate the Stormwater Utility for the reduction in value of the Larger Pond Site. This additional consideration will be included in a Land Exchange Agreement for the Subject Exchange (the "LEA"). The LEA will be finalized and executed prior to completing the exchange. Specifically, the parties intend the LEA to include provisions for the Owner's performance of excavation, clearing, grading, and design of a portion of Hickory Detention Pond and NHBZ restoration on City Property in exchange for the Owner's use of fill materials from the City Property (the "Excavation Provisions").

The Excavation Provisions will require the Owner to clear and grub approximately 8 acres of woody debris and surface materials and then excavate approximately 29,000 cubic yards of soil on the Larger Pond Site. This is a benefit to the City of approximately \$620,000 towards the future construction of the final Hickory Detention Pond. The Owner will also be responsible for the estimated cost of restoration on City Property of approximately 2 Acres of NHBZ. The Owner will likely need a temporary construction easement or license to enter from the City to complete the proposed work on the City Property.

Additionally, the Owner has completed engineering design of the preliminary grading of the Hickory Detention Pond, the value of which has not been included in these numbers.

It is important to note that while the irregular shape, loss of Mason Street Frontage and transfer NHBZ areas to the City property have an adverse impact on fair market value, the changes do not significantly impact the utility of the site as a stormwater detention pond.

Conclusion

City staff has concluded that the Subject Exchange is in the best interest of the Stormwater Utility ratepayers because there will be Additional Acreage to be used for Hickory Detention Pond, and that plus the financial benefits to the City as a result of the Excavation Provisions, and the other City benefits will outweigh any loss in value to the Hickory Detention Pond property as a result of the Subject Exchange.

CITY FINANCIAL IMPACTS

Other than staff time and related expenses, the only additional cost to the City associated with the Subject Exchange is a loss in land value of approximately \$250,000, which is offset by four beneficial impacts:

1. The \$620,000 cost savings to the City as a result of the Excavation Provisions, which is a net benefit of \$370,000;
2. The addition of 1.12 acres of land available for development as a stormwater pond;
3. NHBZ restoration of approximately 2 acres of land on the City Larger Pond Site; and
4. Detention Pond Design cost savings.

City staff recommends that the Subject Exchange not include any additional monetary consideration because the City Utilities ratepayers will be adequately compensated as summarized above.

BOARD / COMMISSION / COMMITTEE RECOMMENDATION

The Water Commission will consider the Subject Exchange at its February 15, 2024, meeting and staff anticipates the Commission will recommend its approval by Council.

PUBLIC OUTREACH

None.

ATTACHMENTS

First Reading attachments not included.

1. Ordinance for Consideration
2. Exhibit A to Ordinance
3. Exhibit B to Ordinance
4. Exhibit C to Ordinance
5. Exhibit D to Ordinance
6. Exhibit E to Ordinance