

AGENDA ITEM SUMMARY

Urban Renewal Authority



STAFF

Clay Frickey, Redevelopment Program Manager

SUBJECT

Resolution No. 122 Approving the Appropriation of Funds for Appraisal Services and Special Legal Counsel.

EXECUTIVE SUMMARY

The purpose of this item is to consider an appropriation to support potentially acquiring property in the North College Plan Area. During a workshop series in 2019, community members identified the former Albertsons site at 1636 North College Avenue as a prime location for a community hub, a library branch, affordable housing, and a workforce development center. A Real Estate Investment Trust (REIT) currently owns 1636 North College Avenue and has a favorable lease for the property. This lease expires in 2030 which means the likelihood of the former Albertsons site redeveloping or housing needed community amenities is low. On July 28, 2022, the Authority Board considered an item that permitted the following related to the former Albertsons site:

1. Conducting a commercial real estate appraisal for the three properties;
2. Discussing funding options with City staff and the City Council Finance Committee; and
3. Begin discussions with the property owners about the Authority potentially acquiring the properties.

This item proposes an appropriation of \$31,000 to conduct the commercial real estate appraisal and retain legal counsel that specializes in eminent domain proceedings. This appropriation will have minimal impact on the Authority's finances and will permit staff to work towards completing the three tasks highlighted above.

STAFF RECOMMENDATION

Staff recommends adoption of the Resolution.

BACKGROUND / DISCUSSION

The North College Urban Renewal Plan Area will generate tax increment revenue until 2029. Staff collaborated with Institute for the Built Environment (IBE) and The Family Center/La Familia (TFC/LF) on a series of public workshops in 2019 asking the North College community how they would like to see the Urban Renewal Authority (URA) invest its money in the North College plan area over the next 10 years. IBE produced a report summarizing this outreach that the Authority Board considered in August 2020. A recurring theme during this engagement process was a desire to revive the former Albertsons site at 1636 North College Avenue. Community members and business owners agreed that the vacant

Albertsons hinders the Authority's ability to achieve its goals. Workshop participants had many ideas for desirable land uses in the old Albertsons including a community hub, a library branch, affordable housing, and a workforce development center.

On July 28, 2022, staff presented the idea of acquiring the Albertsons site and adjoining buildings to the Authority Board. The Authority Board approved the following:

1. Conducting a commercial real estate appraisal for the three properties;
2. Discussing funding options with city staff and the Council Finance Committee; and
3. Begin discussions with the property owners about the Authority potentially acquiring the properties.

To continue this work, staff will require the assistance of technical experts. Staff will need an appraiser to determine the value of each property and dedicated legal counsel in the event the Authority uses its eminent domain powers to acquire the former Albertsons site. These services will require appropriation of additional funds.

Property Overview

The site in question contains three buildings: the former Albertsons and two inline buildings attached to the former Albertsons. Each has a distinct history and are in various states of occupancy currently. The table below provides an overview of each property.

Address	Most Recent Tenant	Current Owner	Most Recent Sales Price
1630 N College	H&R Block Maria's Braiding	JT Enterprises LLC <i>Estes Park, CO</i>	\$795,000 (2019)
1636 N College	Albertsons	Realty Income Corporation <i>San Diego, CA</i>	\$8,665,557 (2010)
1642 N College	Sparks Overland	College Country Club LLC <i>Northglenn, CO</i>	\$2,800,000 (2017)

Real Estate Investment Trust (REIT) Overview

The current owner of the former Albertsons building is Realty Income Corporation, which is a REIT. REITs own and manage real estate portfolios that investors buy into like a mutual fund. REITs pass along their earnings to investors in the form of dividends. Given this structure, the main goal of REITs is to earn increasing returns for their investors. REITs are also often publicly traded on stock exchanges. Realty Income Corporation trades as "O" on the New York Stock Exchange.

Albertsons entered a 20-year lease with a REIT in 2010. When Realty Income Corporation purchased VEREIT in 2021, the previous owner of the Albertsons building, Realty Income Corporation inherited the lease. Commercial lease rates peaked around 2010. The current Albertsons lease is above market, and they continue to make lease payments to the REIT. This has made finding a sublessee difficult. Per their website, Realty Income Corporation specializes in triple net lease properties. A triple net lease, or NNN, is where the lessee pays all expenses on the property, including taxes, insurance, and maintenance. Staff believes this is the variety of lease Albertsons has for 1636 N College. Since the lease is above market and the lease pays for all expenses for the property, the REIT is likely not motivated to consider other lease or development arrangements for the site.

Commercial Real Estate Appraisal

A full commercial real estate appraisal will help the Authority understand the value of all three properties. These appraisals will form the basis of any offers the Authority makes to purchase the properties. The Authority's on-call appraisal has provided a draft scope of work for completing a commercial real estate appraisal of all three properties. The total cost of this work as scoped is \$16,000.

Legal Services

The appropriation for legal services would allow the Authority to obtain specific legal counsel for eminent domain proceedings. Eminent domain follows a specific process with several requirements to acquire property via eminent domain. Legal counsel with specific experience with eminent domain proceedings will help ensure the Authority's success if the Authority ends up exercising its power of eminent domain. It is difficult to estimate the cost of eminent domain proceedings since each project is unique. It is also possible that the property owner accepts the Authority's initial offer for purchase and there is no need for using eminent domain.

As such, staff proposes appropriating enough money to begin discussions with the property owners and set the stage for eminent domain, if needed. In this initial phase of engagement with eminent domain legal counsel, staff proposes an appropriation of \$15,000 which will allow legal counsel to serve in a consulting role early in real estate discussions and ensure the Authority is set up for success if it wants or needs to pursue eminent domain. After completing this phase of the acquisition process, staff would bring forward another appropriation for subsequent phases of the acquisition process as needed. This process aligns with the preference of the Authority Board to have opportunities for the Authority to exit the process for whatever reason it sees fit.

BOARD / COMMISSION / COMMITTEE RECOMMENDATION

Staff presented the appropriation to the URA Finance Committee on August 11. The Finance Committee recommended bringing the appropriation to the URA Board for consideration in August.

AUTHORITY FINANCIAL IMPACTS

The North College plan area is generating surplus tax increment revenue every year. The plan area has \$2.2 million net available cash currently. The revenue forecast shows the plan area generating \$1.4 million in net proceeds in 2022, meaning the North College plan area will have \$3.6 million cash on hand by the end of the year. This appropriation would have a minimal impact on the financial health of the North College plan area.

Acquiring the three properties could require a substantial percentage of the Authority's unpledged tax increment revenue. The revenue forecast shows the Authority having roughly \$20 million of unpledged tax increment by 2030.

ATTACHMENTS

1. Resolution No. 122 for Consideration
2. Scope of Appraisal
3. North College Revenue Forecast
4. Powerpoint Presentation