April 24, 2025

AGENDA ITEM SUMMARY
Urban Renewal Authority

STAFF

Josh Birks, Acting Executive Director
Melissa Buck, Authority Municipal Advisor (SVP, Public Finance, UMB Financial Services, Inc.)

SUBJECT

Items Relating to the North College Urban Renewal Bonds Series 2025.

EXECUTIVE SUMMARY

A. Resolution No. 144 Authorizing, Approving and Directing the Issuance, Sale and Delivery by the Authority of Tax Increment Revenue & Refunding Bonds (North College) Series 2025, in the Maximum Aggregate Principal Amount of $18,000,000; Approving Documents in Connection Therewith; and Ratifying Prior Actions.

B. Resolution No. 145 Authorizing the Fort Collins Urban Renewal Authority's Financing of Certain Capital Projects Using Funds to be Reimbursed from Bonds or Other Indebtedness.

The purpose of this item is to discuss the issuance of new debt and refinancing existing debt for the North College Urban Renewal Plan Area (the "Plan Area). The Fort Collins Urban Renewal Authority (the "Authority") has entered into Purchase and Sale Agreements to acquire and redevelop a closed grocery store at 1636 N. College Avenue and motel located at 1513 N. College Avenue. In addition, the Authority may consider the acquisition of additional properties within the Plan Area requiring funds more than the current forecasted cash balances without the use of debt financing.

STAFF RECOMMENDATION

Staff recommends adoption of the Resolution.

BACKGROUND / DISCUSSION

In 2018, the Authority commissioned a professional third-party analysis of opportunities for potential investment within the North College Urban Renewal Plan Area (the "Plan Area"). The analysis culminated in a report, and in 2019, the report was followed and considered by key community stakeholders. The report culminated with three categories of proposed investment and targeted allocations for each:

- Complete, Vibrant neighborhoods (25%)
- Community Hub (50%)
- Infrastructure Improvements (25%)

Since 2020 and the completion of the Community Investment Plan, an assortment of opportunities, challenges, and policy objectives have emerged. The Authority has responded to these opportunities by entering into purchase and sale agreements for two blighted properties, pursuing additional blighted properties within the plan area, considering support of a proposed middle income deed restricted housing project, support of pedestrian improvements at the intersection of Jerome and Vine Drive.

CURRENT & PLANNED PROPERTY ACQUISITIONS

Beginning in late 2022, the Authority began discussions with the owner of 1636 North College Avenue (currently a vacant grocery store) regarding the potential sale of the property to the Authority. Negotiations occurred across 2023 and 2024 culminating in consideration and approval by the Authority of a Purchase and Sale Agreement ("PSA") for $7,636,050.

Starting in late 2024, the Authority approached the owner of 1513 North College Avenue (currently a motel call "Budget Host") regarding the potential sale of the property. Negotiations occurred quickly, on January 23, 2025, the Authority board considered and approved a PSA for $2.15 million.

Together, acquisition of both properties will enable the Authority to cure, mitigate, and/or prevent the spread of blight conditions within the Plan Area. The acquisition of property is one of the enumerated powers of the Authority in Colorado statutes. The cost to acquire both properties totals approximately $9.79 million.

Authority staff are engaging with additional property owners adjacent to 1636 N. College and other nuisance properties (like 1513 N. College) regarding the potential sale of property. Collectively these properties could require an additional $5 to $6 million.

OTHER AUTHORITY PLANS

At this time, the Authority is considering a range of investments that could total over $19.0 million - $9.8 million (1636 N. College and 1513 N. College), up to an additional $6.0 million in property acquisitions, $3.2 million to support middle-income and deed restricted housing at 302 Conifer). Current cash on hand (approximately $8.0 million) falls short of this amount.

FUNDING AUTHORITY ACTIVITIES

At the end of 2024, Authority staff ask its municipal advisor (Melissa Buck with UMB Financial Services, Inc.) to analyze several scenarios to fund the proposed activities. These scenarios included pay-as-you-go and issuing bonds. The projected cash balance, both now and in the future, will not fund the projects based on current anticipated timing (e.g., current cash-on-hand is insufficient to acquire both 1636 N. College and 1513 N. College). However, an initial analysis suggests that the projected Tax Increment Revenue ("TIF") to be collected within the Plan Area could be leveraged into a bond issuance of approximately $12.4 million. This combined with the current cash balance of $8.0 million would create cash-on-hand sufficient to meet the projected cash flow needs of the Authority.

BOND UNDERWRITING SERVICES

To obtain the most competitive pricing on a bond issuance, Authority staff issued a Request for Proposals soliciting bond underwriting services. Written proposals were submitted by six firms: Stifel, D.A. Davidson, Piper Sandler, RBC Capital Markets, Raymond James, and Estrada Hinojosa (TRB Capital Markets). Each of the six firms that responded demonstrated varying degrees of experience with tax increment financings, structuring complexity, investor distribution strategies, and proposed pricing.

Working with the Authority's municipal advisor, the submissions were reviewed for experience and expertise, rating & structuring approach, financial strength and fees, and marketing and distribution strategy. Based on these criteria, staff selected D.A. Davidson to provide underwriting services for this bond issuance. The high-quality proposal, structure flexibility, and deep track record with Colorado special districts made the D.A. Davidson the most comprehensive and execution-ready partner.

AUTHORITY FINANCIAL IMPACTS

The objective of the Series 2025 bonds is to provide sufficient funds to acquire several properties in North College. The forecast cash flow for the district does not provide sufficient funds in a timely manner for all the anticipated acquisitions. The Authority has two primary options for issuing bonds to meet projected cash flow needs:

A. Issue new bonds (Series 2025) at parity with the existing bonds (Series 2013); or

B. Issue revenue and refunding bonds (Series 2025) refinancing the existing bonds (Series 2013) and generating new money.

The bond scenarios share the same objectives:

- Generate $12.4 million in new money (also known as, “Project Fund”);
- Manage total interest and net debt service so as not to increase existing costs; and
- Maximize available funds annually (after debt service) to fund additional blight remediation projects

Attachment 2 shows the potential bond funding scenarios, based on current market conditions, assuming the City agrees to offer a moral obligation pledge, and bond insurance is obtained as part of the financing. The two scenarios are compared below in **Table 1**.

Table 1
Bond Scenario Comparison (2030 Maturity)

Scenario	A Parity Bonds	B Refunding & Improvement Bonds
Total PAR	$16,410,000	$15,490,000
Total Interest	$2,609,213	$2,400,204
Net Debt Service	$18,070,250	$17,890,204
Annual Avg. Debt Service	$3,540,166	$3,247,843

Currently, issuing refunding and improvement bonds (Scenario B) presents the best financial option. This scenario, (1) keeps the total amount borrowed (Total PAR) lowest overall; (2) has a lower total interest cost and net debt service amount; and (3) manages the annual average debt service to maximize annual cash flow. However, market conditions remain volatile and maintaining flexibility given conditions is the most prudent course of action. Therefore, the authorizing resolution enables the Acting Executive Director to execute either scenario to achieve the objectives stated above.

The net impact to the Authority’s finances from the proposed refunding will be an increase in the average annual debt service to approximately $3.5 million up from approximately $950,000. Or an increase of approximately $3.0 million annually.

ATTACHMENTS

1. Resolution No. 144 – Bonds Renewal
2. Resolution No. 145 – Use of Bonds Funds
3. Initial Bond Scenarios
4. Presentation