

# AGENDA ITEM SUMMARY

City Council



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## STAFF

Josh Birks, Deputy Director, Sustainability Services

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## SUBJECT

**Resolution 2025-052 Concerning the Fort Collins Urban Renewal Authority and its Tax Increment Revenue Refunding and Improvement Bonds (North College Tax Increment Urban Renewal Area), Series 2025; Declaring the City Council's Present Intent to Appropriate Funds to Replenish the Reserve Fund Securing Such Bonds, if Necessary; and Authorizing a Cooperation Agreement and Other Actions Taken in Connection Therewith.**

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## EXECUTIVE SUMMARY

The purpose of this item is for the Council to consider a Replenishment Resolution, which both provides a "Moral Obligation Pledge" to the Fort Collins Urban Renewal Authority (the "Authority") and approves a Cooperation Agreement between the City and Authority in connection with the revenue bond issuance approved by the URA Board at its April 24, 2025, meeting.

The Authority will be issuing additional bonds against the North College projected tax increment revenues. The bond proceeds will be used to fund the acquisition of blighted properties, support blight remediation through redevelopment of the same properties, and invest in additional public infrastructure. All proceeds will be expended by direction and with the approval of the Authority board. As part of this bond issuance, the Authority is seeking a "Moral Obligation Pledge" from the City of Fort Collins (the "City"). The pledge would result in improved bond ratings and reduced debt service costs to the Authority.

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## STAFF RECOMMENDATION

Staff recommends adoption of the Resolution.

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## 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:

1. Complete, Vibrant neighborhoods (25%)
2. Community Hub (50%)
3. 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 asked 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.

## **CITY’S MORAL OBLIGATION PLEDGE**

The Authority is seeking a “Moral Obligation Pledge” from the City to receive a more favorable bond rating and interest rate. The moral obligation expresses the City’s intent to appropriate funds for the replenishment of the Reserve Fund or the repayment of any draws under any Reserve Fund Policy, if necessary. However, the City will not be legally obligated to make any debt service payments in the event of default by the Authority. In addition, any such payments by the City will be subject to appropriation by City Council, which the Council may elect in its sole discretion to do or not. Furthermore, the City and Authority will enter into a Cooperation Agreement to govern the terms and conditions surrounding any payments made by the City in conjunction with this replenishment resolution.

## **PAST MORAL OBLIGATION PLEDGES**

The City has provided moral obligations pledges on all previous Authority revenue bonds. These include both the North College Series 2013 Revenue Bonds and the Prospect South Series 2019 Revenue Bonds. Since those pledges, the Authority has made on-time and full payments on each of those Bonds. Additionally, current financial forecasts indicate that the Authority will have sufficient revenue – barring any unforeseen changes in property values – to make all remaining payments.

## **CITY FINANCIAL IMPACTS**

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There are no immediate and direct financial impacts on the City. The property tax revenue in the North College Plan Area is unlikely to decline enough to trigger the use of the Reserve Fund; therefore, the need for the City to appropriate funds from the Reserve Fund may not be likely to arise.

## **BOARD / COMMISSION / COMMITTEE RECOMMENDATION**

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Staff presented this item to the Council Finance Committee on April 3, 2025, the Authority Finance Committee on April 10, 2025, and the Authority Board on April 24, 2025. Each Committee and the Authority Board recommended proceeding with the issuance and sale of the proposed tax increment revenue and refunding bonds. The Authority Board adopted its Resolution 144, Series 2025, in which it made related determinations and findings, and approved the Cooperation Agreement with the City attached to this item. Additionally, the Council Finance Committee recommend forwarding the consideration of the City's "Moral Obligation Pledge" to the full council for consideration with their endorsement.

## **PUBLIC OUTREACH**

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None.

## **ATTACHMENTS**

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1. Resolution 2025-052
2. Exhibit A to Resolution
3. Council Finance Committee Minutes, April 2, 2025 (excerpt)