

Council Agenda Summary

March 15, 2022

Key Staff Contact: Benjamin Snow, Economic Health & Housing Director, 970-350-9384

Title:

Consideration of a Resolution approving an Enhanced Sales Tax Incentive Program Agreement ("ESTIP Agreement")

Summary:

Richmark Real Estate Partners, LLC ("Richmark") continues to make significant investments in Greeley, especially in our Downtown core. They have developed several properties, most recently completing the Maddie and the Natural Grocers redevelopments. They are currently considering a redevelopment of the former Firestone retail building located at 1130 8th Avenue in Downtown Greeley.

They have owned the building for a few years and are now in position to redevelop this property as a multi-tenant retail project, with the goal of bringing more retail services to the 8th Avenue corridor to support the growing levels of residential units and to support the daytime population (employees) of our Downtown. This 10,220 square foot building is projected for occupancy in early 2023.

Capitalizing on the current momentum of Downtown Greeley, Richmark believes that truly unique and new to market retailers, chef-driven restaurants, brewers and vendors can be attracted to the Maddie Corridor (8th Avenue). Similar to the recently completed Natural Grocers project, Richmark also believes that a building face-lift must be completed prior to attracting the right tenants. The current conditions of the building don't allow the prospective tenants to see the vision of what the property can become.

Business-Need for Incentives

The costs of construction and prevailing market rents for downtown Greeley do not justify speculative construction, so the owner is requesting economic assistance in the form of incentives.

The current estimate of capital investment, including land acquisition costs, is just under \$5.7 million and there is a current project feasibility gap of over \$1.3 million.

To bridge a portion of this gap, we have identified three sources of incentives:

1. Up to \$100,000 from the DDA in the form of a façade improvement grant. This has been approved by the DDA Board.
2. Up to \$300,000 from the DDA in the form of property tax increment. This has been approved by the DDA Board.
3. Up to \$500,000 from the City in the form of sales tax increment, based on future taxes generated from project tenants using the city's 3.0% general sales tax rate over a period of 10 years.

We believe the combination of these incentives, totaling \$900,000, will provide enough impetus for the owner to make the property investment and improvements needed to attract new sales tax-generating businesses to downtown.

Qualification

Following completion of a detailed financial analysis of the project by a third-party, paid for by the city, and a thorough internal review by senior staff, we have determined that this project qualifies under our Enhanced Sales Tax Incentive Program (ESTIP), adopted by the City Council in 2021. This performance-based incentive tool allows for sales taxes generated by the project to be shared back with the owner, who is responsible for making the upfront capital investments to improve the property.

Staff has ensured that this project, even when including the maximum incentives, delivers a very modest, below-market rate of return to the owner/developer.

Recommendation

Based upon a positive evaluation of the proposed project regarding the criteria contained in the ESTIP Incentive Plan, staff recommends that the City Council consider and approve the Firestone Redevelopment project for a maximum of \$500,000 in sales tax rebates over a 10 year period.

The City has structured an ESTIP Agreement that limits the incentive to \$500,000, or 10 Years, whichever occurs first, and qualifies the eligible uses/tenants.

The attached tax worksheet identifies the total taxes and fees expected to be generated by the project over 10 years, how much of that total would be offered as an incentive, and how much would be retained by the city.

Fiscal Impact:

Does this item create a fiscal impact on the City of Greeley?	Yes
If yes, what is the initial, or, onetime impact?	\$500,000 maximum over 10 years.
What is the annual impact?	
What fund of the City will provide Funding?	
What is the source of revenue within the fund?	
Is there grant funding for this item?	No
If yes, does this grant require a match?	
Is this grant onetime or ongoing?	
Additional Comments:	

Legal Issues:

None.

Other Issues and Considerations:

None.

Strategic Work Program Item or Applicable Council Priority and Goal:

Image: Reinforce Greeley's vision as an attractive and vibrant community in which to live, learn, work and play.

Economic Health & Development: Foster and maintain public and private investment in business development.

Decision Options:

- 1) Adopt the resolution as presented; or
- 2) Amend the resolution and adopt as amended; or
- 3) Deny the resolution; or
- 4) Continue consideration of the resolution to a date certain.

Council's Recommended Action:

A motion to adopt the Resolution.

Attachments:

Resolution
ESTIP Agreement
Tax Worksheet