



TO: DDA Board of Directors  
FROM: Todd Dangerfield  
DATE: September 13, 2012

**RE: River District Block One Tax Increment Proposal (418 Linden Street)**

Encompass Technologies has the lot at 418 Linden Street under contract with the intent to build Block One. Encompass proposes a 37,000 square foot, mixed use redevelopment project that will initially house their offices, additional leased office space, future retail space as directed by the market, upper floor residential units and a signature restaurant space.

The Block One conceptual building elevations and site plans presented in the August Board meeting are attached.

There are two facades eligible for DDA funding, which include the west-facing (Linden Street) façade and the north (riverfront) façade. The eligibility of the north-facing façade was undetermined at the time of the design presentation during the August 2012 Board meeting. The funding eligibility of the north-facing façade has since been established, having confirmed the adjacent riverbank property north of Block One is owned by the City of Fort Collins.

The owners are requesting \$564,799 in tax increment financing for both facades and public right-of-way improvements.

Staff evaluated the request in the attached Commitment Worksheet and determined there is \$1,178,410 in supportable tax increment available for this project. The eligible project expenses for façade and right-of-way improvements are \$629,827 according to estimates provided by the owner's contractor. The total project value is \$6,332,970 according to the real property valuation provided by the Larimer County Assessor. At the Staff recommended funding level of \$564,799 (47.93%), the tax increment generated and available for other DDA projects over the next seventeen years would be \$613,611 (52.07%). The staff recommendation is based on Board policy of awarding up to 50% of the supportable tax increment for commercial uses and up to 25% of supportable tax increment for residential uses.

There is a second request from the owners for up to \$64,570 in financial support to complete the Linden streetscape enhancements along the frontage of the property. These enhancements are in addition to the minimum requirements outlined in the Larimer County Urban Street Standards, and the proposed design and enhanced features are consistent with the enhancements installed in the City/DDA Linden Street Improvement Project. The funding to complete the enhancements in front of Block One would come from a reallocation of the anticipated \$50,000 to \$90,000 in project savings from the City/DDA Linden Streetscapes project.

## Design Review

The Block One façade designs were reviewed at the August Board meeting. Board members did not have comments on changes they wished to see in the design specific to the facades. Therefore the elevations and site plans attached are the same as presented in August.

Site drawing sheets indicating details of Linden streetscape features as well as details of the proposed riverbank stabilization installation have been added to the packet.

A question raised at the August Board meeting regarding whether the access drive to the site from Linden Street could be relocated further south, away from the river, has since been investigated by the owner. The revised location would have positioned the access drive over the top of the Linden Street water quality structure. City Water Engineering and Field Services Manager, Jon Haukaas, believed relocating the driveway over the top of the water quality structure would complicate the maintenance of the device. Jon recommended that the driveway not be installed over the top of the device due to the need for personnel to access it on a regular basis for inspection and general maintenance of the device (see attached email).

Concern was also raised about proximity of the building relative to the river. This aspect of the proposed design is subject to the City's interpretation of the existing standards for the River Downtown Redevelopment District (R-D-R).

## Staff Comments

DDA staff held meetings with the owner's representatives and engaged frequently with the team prior to submission of the design plan. It is staff's opinion the team is making a conscious effort to develop a design that complements the river frontage as well as the character and vision of City planning for the Downtown River District. The development is located on the site of a former concrete batch plant between the river and the El Burrito Restaurant. It represents a unique opportunity to transform a former industrial site with river adjacency into an enhanced destination with less environmental impact than its previous use.

The façade(s) are in alignment with the DDA mission to invest in quality, timeless materials. Massing materials, consistent with new developments in the Downtown, will establish a sophisticated, original precedent for the River District. Varied surface articulation and material selections along with balconies and abundant glazing within the façade(s) cultivates interest and creates an inviting, interactive experience with the surroundings.

As the headquarters for Encompass Technologies, this facility is expected to house approximately 40 employees when the building is completed. Additional leased office space in the building will provide long-term expansions capabilities. Though not relevant to the façade design, maintaining and growing local primary employers in the Downtown is a critical component of a healthy and vibrant central business district.

Regarding the funding support request for the remaining Linden streetscapes enhancements, an opportunity exists to finish these enhancements in front of the Block One property with anticipated project savings to be credited to the DDA from the original project funding commitment. The City has projected an estimated project savings of between \$50,000 and \$90,000 for the DDA. The exact amount of savings on this project cannot be determined or guaranteed to be available until the City completes the contract reconciliation process later this year. Staff has informed the owner that since available funds can only be estimated at this time, the actual amount available is contingent upon the amount of savings realized.

The source of funds and uses for the project as well as available funds for other projects is as follows:

Sources

Supportable Tax Increment (through 2031):	\$1,178,410
City/DDA Linden Street Improvement Project Savings:	\$50,000 to \$90,000 estimated

Uses

Two Facades (west & north):	\$541,052
Public Improvements in R.O.W.:	\$62,433
City Property River Habitat Bank Stabilization:	\$26,343

If funding is approved, the DDA will have \$613,611 available for other projects through 2031.

**Staff Recommendations**

1. **Staff recommends the Board commit funding for up to \$564,799 for a tax increment investment and authorize the Board Chair to enter into an agreement for the west and north-facing facades, right-of-way improvements and City-owned river bank habitat stabilization, contingent upon owner submission of all DDA requirements for project reimbursement, including actual cost accounting documentation, certificate of liability insurance, and grant of façade easements by the owner.**
2. **Staff recommends the Board commit funding for up to \$64,570 to be reallocated from the potential project savings of the City/DDA Linden streetscapes project to finish the Linden street enhancements at the Block One frontage. The commitment would be contingent upon the City's final reconciliation of the project and the amount of savings from the project being realized.**

**DDA Commitment Worksheet**

**Tax Increment Investment**

**TOTAL**

Project Name: **Block One**

Parcel # **97122-09-005**

Date: **23-Aug-12**

Tax Year When Project Complete: Tax Year 2014, payable in 2015

Must be 90% complete as of 01/01/2014

<b>I. Eligible Features</b> (excludes soft costs)			
<b>A. Façade</b>	<b>Item</b>		<b>Owner's Cost Estimate</b>
	Linden Street (West Façade)	See attached	\$424,880
	Riverfront (North Façade)	See attached	\$116,172
		Subtotal	<b>\$541,052</b>
<b>B. Public Improvements - Right of Way</b>			
	Utilities	See attached	\$32,300
	Sidewalks and Paving	See attached	\$30,133
		Subtotal	<b>\$62,433</b>
<b>C City Property River Habit and Bank Stabilization</b>			
		See attached	\$26,343
		Subtotal	<b>\$26,343</b>
<b>TOTAL ELIGIBLE FEATURES</b>			<b>\$629,827</b>
<b>II. 10% Total Value of Improvements</b> <i>(Rule of Thumb Policy. Board may fund at more than 10%.)</i>			
	Total Value of Proposed Improvements (provided by County)	<b>Amount</b>	\$6,332,970
		Ten Percent (10%)	\$633,297
<b>III. Projected Tax Increment</b>			
<b>a. Gross Tax Increment</b>			
	Current Annual Property Tax Liability		\$2,836
	Annual Property Tax Liability at Construction Completion (by County Assessor)		\$144,813
	Gross Annual Tax Increment (by County Assessor)		\$141,977
	<b>Gross Tax Increment Generated (17 Years)</b>		<b>\$2,413,612</b>
<b>b. Net Tax Increment</b>			
	Gross Annual Tax Increment		\$141,977
	DDA 5 Mills (On Increment)		\$7,412
	Net Annual Tax Increment		\$134,565
	<b>Net Tax Increment Generated (17 Years)</b>		<b>\$2,287,611</b>
<b>c. Supportable Tax Increment</b> Note: Shareback Effective Tax Year 2014, payable 2015			
	City of Ft Collins (1		\$246,833
	County, PVH, Library (50%)		\$362,586
	PSD (50%)		\$657,688
	DDA Tax Increment Shareback Generated (17 years)		<b>\$1,267,108</b>
	7.0% Finance Charge		\$88,698
	<b>DDA Supportable Tax Increment Generated (17 years)</b>		<b>\$1,178,410</b>
<b>SUMMARY</b>			
	Staff Recommended Funding Level		\$564,799
	Recommendation to DDA Supportable Tax Increment		47.93%
	Tax Increment shared with Other Taxing Entities		\$1,020,503
	Percentage of TI - Other Taxing Entities to Net Tax Increment Generated		44.61%
	Tax Increment available for other DDA Projects (at staff recommended funding level)		\$613,611
	Percentage of TI Available for other DDA Projects to DDA Supportable Tax Increment		52.07%
	Percentage of Eligible Features to:		
	Total Value of Improvements		9.95%
	Gross Tax Increment		26.09%
	Net Tax Increment		27.53%
	Supportable Tax Increment		53.45%
	Percentage of Staff Recommended Funding Level to:		
	Total Value of Improvements		8.92%
	Gross Tax Increment		23.40%
	Net Tax Increment		24.69%
	Supportable Tax Increment		47.93%

Block One  
 DDA Breakouts  
 8/22/2012

**DDA BREAKOUTS**

**A FACADES**

**1) LINDEN ST. FAÇADE (WEST FAÇADE)**

**Estimated Cost**

Fence - decorative at Linden St.	\$4,700
Decorative fence w/ gate at utility yard enclosure (Linden St. side only)	\$5,000
CIP retaining & cheek walls at entry (along Linden St.)	\$12,000
Foundation system at Linden St. façade	\$50,065
Board formed concrete at ext. exposed - premium	\$3,040
Face brick - Ambassador size	\$25,270
Stone veneer	\$13,650
Sills - cast stone	\$9,480
Cap - sandstone	\$14,235
Guardrail/handrail at walls along Linden St.	\$5,760
Decorative guardrail/handrail	\$22,125
Window header channels - exposed	\$2,000
Steel canopy - walk-through entry	\$15,000
Steel/wood trellis - garage entry canopy	\$18,000
Fiber cement wall panels	\$23,060
Fiber cement face lapped - 18"	\$6,936
Fiber cement mech. screen wall	\$1,488
Fiber cement privacy screens	\$3,072
Hardee board siding w/ alum. reveals	\$4,224
Decorative wood inserts in alum storefront	\$4,800
Single doors - HM frame	\$1,500
Exterior glass - storefront	\$64,684
Alum. doors - single	\$7,500
Alum. clad wood windows	\$57,630
Alum. clad wood doors - single	\$12,000
Painting underside of ext. canopies	\$153
Paint guardrail/handrail	\$423
Paint openings	\$85
Fiberglass sunshades	\$27,000
Exterior building lighting (not inc. signage) - ALLOWANCE	\$10,000
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	\$424,880

**2) RIVERFRONT FAÇADE (NORTH FAÇADE)**

**Estimated Cost**

Board formed concrete at ext. exposed - premium	\$3,370
Face brick - Ambassador size	\$10,738
Stone veneer	\$12,540
Cap - sandstone	\$5,070

Decorative guardrail/handrail	\$6,525
Stainless steel tubes - 18" dia. (fireplace)	\$5,000
Window header channels - exposed	\$800
Steel/wood trellis - patio structure wall	\$5,400
Fiber cement wall panels	\$4,560
Fiber cement face lapped - 18"	\$8,628
Hardee board siding w/ alum. reveals	\$2,496
Exterior glass - storefront	\$6,558
Alum. doors - single	\$1,500
Alum. clad wood windows	\$39,600
Alum. clad wood doors - double	\$3,000
Paint guardrail/handrail	\$387
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	<b>\$116,172</b>

**B Public Improvements - Right of Way**

**1) UTILITIES**

<u>Utilities to Building from Linden St.</u>	<u>Estimated Cost</u>
Sanitary Sewer (in right of way)	\$2,800
Storm Sewer (in right of way)	\$5,100
Manholes	\$5,000
Storm sewer inlet	\$5,000
Extend existing manholes	\$4,000
Water service - 8" fire/2" water (in right of way)	\$6,000
Water line - 2" (in right of way)	\$4,400
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	<b>\$32,300</b>

**2) LARIMER COUNTY STREET STANDARDS (SIDEWALKS & PAVING)**

	<u>Estimated Cost</u>
Remove 2.5' curb/gutter at Linden St.	\$173
Asphalt paving at Linden Street parking stalls	\$15,000
Concrete paving - sidewalks	\$6,420
Curb/gutter - 3.5' at Linden St.	\$4,140
Curb at Linden Streetscape - 18"	\$4,400
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	<b>\$30,133</b>

**C CITY PROPERTY RIVER HABITAT & BANK STABILIZATION**

	<u>Estimated Cost</u>
Landscaping (grading, seed, mulch, plants, etc.)	\$5,843
Irrigation	included
Stabilized crusher fines path	included
Tree liming up & removal of non-native trees	\$5,500
Bank stabilization	\$15,000
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	<b>\$26,343</b>

Total **\$629,827**

**LINDEN ST. ENHANCEMENTS**

	<u>Estimated Cost</u>
Colored concrete premium	\$1,270
Interlocking sidewalk pavers	\$14,700
Timeline pavers at streetscape	\$2,700
Benches	\$2,700
Bike racks	\$2,300
Tree grates	\$4,000
Planter boxes - SS-21	\$3,000
Planter boxes - S-27	\$3,000
Streetscape pole lights	\$30,900
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	<b>\$64,570</b>

**DDA Commitment Worksheet**

**Tax Increment Investment**

**COMMERCIAL**

Project Name: **Block One**

Parcel # **97122-09-005**

Date: **23-Aug-12**

Tax Year When Project Complete: Tax Year 2014, payable in 2015

Must be 90% complete as of 01/01/2014

**II. 10% Total Value of Improvements**

*(Rule of Thumb Policy. Board may fund at more than 10%.)*

Total Value of Proposed Improvements (provided by County)	<b>Amount</b>	\$4,790,220
	Ten Percent (10%)	\$479,022

**III. Projected Tax Increment**

**a. Gross Tax Increment**

Current Annual Property Tax Liability	\$2,836
Annual Property Tax Liability at Construction Completion (by County Assessor)	\$133,051
Gross Annual Tax Increment (by County Assessor)	\$130,215
<b>Gross Tax Increment Generated (17 Years)</b>	<b>\$2,213,661</b>

**b. Net Tax Increment**

Gross Annual Tax Increment	\$130,215
DDA 5 Mills (On Increment)	\$6,798
Net Annual Tax Increment	\$123,418
<b>Net Tax Increment Generated (17 Years)</b>	<b>\$2,098,099</b>

**c. Supportable Tax Increment**

Note: Shareback Effective Tax Year 2014, payable 2015

City of Ft Collins (1	\$226,385
County, PVH, Library (50%)	\$332,549
PSD (50%)	\$603,203
DDA Tax Increment Shareback Generated (17 years)	<b>\$1,162,137</b>
7.0% Finance Charge	\$81,350
<b>DDA Supportable Tax Increment Generated (17 years)</b>	<b>\$1,080,787</b>

**SUMMARY**

Staff Recommended Funding Level	\$540,394
Recommendation to DDA Supportable Tax Increment	50.00%
Tax Increment shared with Other Taxing Entities	\$935,962
Percentage of TI - Other Taxing Entities to Net Tax Increment Generated	44.61%
Tax Increment available for other DDA Projects (at staff recommended funding level)	\$540,394
Percentage of TI Available for other DDA Projects to DDA Supportable Tax Increment	50.00%
Percentage of Staff Recommended Funding Level to:	
Total Value of Improvements	11.28%
Gross Tax Increment	24.41%
Net Tax Increment	25.76%
Supportable Tax Increment	50.00%



**DDA Commitment Worksheet**

**Tax Increment Investment**

**RESIDENTIAL**

Project Name: **Block One**

Parcel # **97122-09-005**

Date: **23-Aug-12**

Tax Year When Project Complete: Tax Year 2014, payable in 2015

Must be 90% complete as of 01/01/2014

**II. 10% Total Value of Improvements**

*(Rule of Thumb Policy. Board may fund at more than 10%.)*

Total Value of Proposed Improvements (provided by County)	<b>Amount</b>	\$1,542,750
	Ten Percent (10%)	\$154,275

**III. Projected Tax Increment**

**a. Gross Tax Increment**

Current Annual Property Tax Liability	\$0
Annual Property Tax Liability at Construction Completion (by County Assessor)	\$11,762
Gross Annual Tax Increment (by County Assessor)	\$11,762
<b>Gross Tax Increment Generated (17 Years)</b>	<b>\$199,951</b>

**b. Net Tax Increment**

Gross Annual Tax Increment	\$11,762
DDA 5 Mills (On Increment)	\$614
Net Annual Tax Increment	\$11,148
<b>Net Tax Increment Generated (17 Years)</b>	<b>\$189,513</b>

**c. Supportable Tax Increment**

Note: Shareback Effective Tax Year 2014, payable 2015

City of Ft Collins (10%)	\$20,448
County, PVH, Library (50%)	\$30,038
PSD (50%)	\$54,485
DDA Tax Increment Shareback Generated (17 years)	<b>\$104,971</b>
7.0% Finance Charge	\$7,348
<b>DDA Supportable Tax Increment Generated (17 years)</b>	<b>\$97,623</b>

**SUMMARY**

Staff Recommended Funding Level	\$24,406
Recommendation to DDA Supportable Tax Increment	25.00%
Tax Increment shared with Other Taxing Entities	\$84,542
Percentage of TI - Other Taxing Entities to Net Tax Increment Generated	44.61%
Tax Increment available for other DDA Projects (at staff recommended funding level)	\$73,217
Percentage of TI Available for other DDA Projects to DDA Supportable Tax Increment	75.00%
Percentage of Staff Recommended Funding Level to:	
Total Value of Improvements	1.58%
Gross Tax Increment	12.21%
Net Tax Increment	12.88%
Supportable Tax Increment	25.00%

**INCOME APPROACH**

Effective Date of Valuation: 1 Jan 2013

Date of Appraisal: 5 May 2012

Parcel #: 97122-09-005

Block One - 418 Linden Street

2012

Typical

TIF

**Proposed**

BUILDING AREA - SF	SIZE (SF)	%
Office	19,965	82%
Restaurant	4,428	18%
<b>TOTAL SF</b>	<b>24,393</b>	<b>18%</b>

POTENTIAL GROSS INCOME	INC/SF	SF	NET
Office	\$16.00	19,965	\$319,440
Restaurant	\$24.00	4,428	\$106,272
<b>TOTAL</b>	<b>\$17.45</b>	<b>24,393</b>	<b>\$425,712</b>

VACANCY & COLLECTION LOSS	less	10.00%	\$42,571
INCOME less V & C			\$383,141
ADDITIONAL INCOME-parking, internet, storage	\$5		\$121,965
<b>EFFECTIVE GROSS INCOME</b>			<b>\$505,106</b>

**OPERATING EXPENSES**

Management	8%	\$34,057
Utilities	\$0.05	\$1,220
Insurance	\$0.30	\$7,318
Grounds Maintenance	5%	\$21,286
Repairs & Maintenance	3%	\$12,771
Reserves for Replacement	5%	\$21,286
<b>Total Expenses</b>	<b>23%</b>	<b>\$97,937</b>

<b>EFFECTIVE GROSS INCOME</b>	<b>\$505,106</b>
less OPERATING EXPENSES	\$97,937
<b>NET OPERATING INCOME</b>	<b>\$407,169</b>

<b>VALUE (NET INCOME/OAR)</b>	\$407,169 divided by	8.50%	<b>\$4,790,220</b>
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<b>VALUE PER SQUARE FOOT-Comm</b>	<b>\$196</b>
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Value x Assessment Rate x Mill Levy = tax liability	Approx	2014
Value	Assessment Rate	Annual Taxes
\$4,790,220	29%	0.095778 = \$133,051.34
\$1,542,750	7.96%	0.095778 = \$11,761.82
<b>\$6,332,970</b>	<b>Comm/Res</b>	<b>\$144,813.16</b>
Existing 2011 Value, taxes payable 2012	less	\$2,835.99
	<b>Increment</b>	<b>\$141,977.17</b>

Christine Murray

CGO1317730

Certified General Appraiser, Larimer County Assessors' Office

2012 Mill levy subject to change, values based on preliminary figures,  
median lease rates and proposed increase in square footage.

**RESIDENTIAL GRM VALUATION**

**PARCEL #**

**Block One**

2013

97122-09-005

418 Linden Street

Fort Collins

ACTUAL	Units	Monthly Rent	Units X Rent	Sf each
Unit 1/1B	9	\$1,050	\$9,450	710
Unit 2 / 2B / Standard	3	\$1,650	\$4,950	1052

**Total Bedrooms**      12      with parking      \$14,400

ACTUAL RENT	
UNITS	12
GROSS Mo.RENT	\$14,400
Months	12
YEARLY RENT	\$172,800
GRM	10
PROPERTY VALUE	\$1,728,000
Monthly Rent	

MARKET	Units	w Add-ons	Units X Rent	Sf each
Unit 1/1B	9	\$950	\$8,550	710
Unit 2 / 2B / Standard	3	\$1,400	\$4,200	1052

**Total Bedrooms**      12      with parking      \$12,750

MARKET RENT	
UNITS	12
GROSS Mo.RENT	\$12,750
Months	11
YEARLY RENT	\$140,250
GRM	11
PROPERTY VALUE	\$1,542,750

	Units	Mkt \$ per UNIT	Total Mkt.GRM Val
2013 Value	12	\$128,563	\$1,542,750
\$1,542,750		7.96%	0.095778

<b>Approx Taxes</b>
<b>\$11,761.82</b>