Redevelopment Analysis and Fiscal Context

Basalt River Parcel

October 27, 2015

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Outline

- Recent Evolution of CDC Parcel Land Use Concepts vs. Constant Town Fiscal Plan
- Summary of Redevelopment Scenarios
- Placing Town's Costs and Benefits with CDC Redevelopment into Broader Fiscal Context
- Other Considerations with Privately-Driven and Publicly-Driven Redevelopment
- Options for Next Steps

Land Use and Fiscal Plans

- Late 2010 – Late 2014: Land use concept = redevelopment along full length of CDC parcel
  - 2010: Town and CDC announce partnership and plan
  - 2011: Town and CDC purchase Pan & Fork Mobile Home Park
  - 2013: Town and CDC sign pre-development agreement
  - 2013: Town approves bond financing plan, submits ballot question
  - 2013: Voters approve plan, Town issues tax-exempt bonds - $3.0M
  - 2014: Our Town Planning and ETC Survey
  - ***2014: Town issues taxable bonds - $1.85M***
- Late 2014 – Present: Land use concept = redevelopment along western part of CDC parcel
  - Late 2014: DAAC endorsement of “Big V” view plane
  - Spring 2015: Council unanimously approves Res. 19 showing development on western “half” and Park on eastern “half” of CDC parcel
  - Summer 2015: P&Z endorses Modified DAAC map to reflect Res. No. 19

Land Use and Fiscal Plans

- 2015 land use planning has reduced potential redevelopment footprint by minimum of 40-50% but 2013 fiscal plan remains in place:

- Parks, Open Space & Trails Cash: $2.0 Million
  - River restoration and Park improvements
  - Relocation necessary for River/Park projects

- General Fund Cash: $650,000
  - Relocation and CDC parcel work needed for redevelopment

- General Obligation Bond Funds: $4.85 Million
  - Tax-Exempt Portion: River/Park projects and adjacent streets
  - ***Taxable Portion: CDC and RMI parcel work needed for redevelopment and adjacent streets***

Land Use and Fiscal Plans

- Repayment of 2013 Tax-Exempt Bonds
  - 90%: POST 1% sales tax revenues
  - 10%: General property / sales tax revenues

- Repayment of 2014 Taxable Bonds
  - Near-Term: General property / sales tax revenues
  - ***Long-Term: Use payments negotiated with CDC parcel redevelopment to reimburse Town and pay bonds off early***

- Town Investment in CDC Parcel
  - Total reimbursable costs: $2.5M – 33% of $7.5M
  - Direct parcel improvements: $1.25M – 50% of $2.5M
    - Agreed-upon Town-CDC proration of river restoration, Pan & Fork resident relocation costs = other 50%

Redevelopment Scenarios

- High-level forecast of Town costs and benefits, upfront and over time, with three scenarios
  - Not based on any specific proposal; independent of CDC and its development partner, Lowe Enterprises
  - Not a definitive, “market-ready” analysis nor a recommendation
  - Focus on Town finances, not broader market / economic impacts

1. 75,000 s.f. condo-hotel, modeled on P&Z land use Option 3E.1 (per Res. 34, Series of 2015)

2. 35,000 s.f. condominium development

3. Town development of 5,000 s.f. event center

Redevelopment Scenarios

- Reconciliation Truth #1: No scenario is likely to recoup full $2.5M of Town reimbursable costs

- Reconciliation Truth #2: All scenarios are likely to require additional Town investment
  - Public parkland acquisition
  - Public parkland / event center development
  - Public parkland / event center maintenance
  - Investments in structured / surface parking, streets, sidewalks

- Difference is in amount, source(s), and duration of Town investment, plus overall cost / benefit

Redevelopment Scenarios

- Scenario 1: 75,000 s.f. condo-hotel, modeled on P&Z land use Option 3E.1 (per Res. 34, Series of 2015)

  - $2M investment in parkland acquisition and development, plus maintenance
  - New property, sales and lodging taxes
  - Dedication of 50% of new taxes toward cost of structured parking – first 15 years
  - Annual CDC parcel “deficit” (expenses > revenues) averages $114,000 – first 15 years
  - Cumulative deficit = $2.16M

Redevelopment Scenarios

- Scenario 2: 35,000 s.f. condominium development, based on Evans Road project (with riverfront premium in taxable value)

  - $2.5M investment in parkland acquisition and development, plus maintenance
  - New property taxes
  - No structured parking investment
  - Annual CDC parcel “deficit” (expenses > revenues) averages $260,000 – first 15 years
  - Cumulative deficit = $4.94M

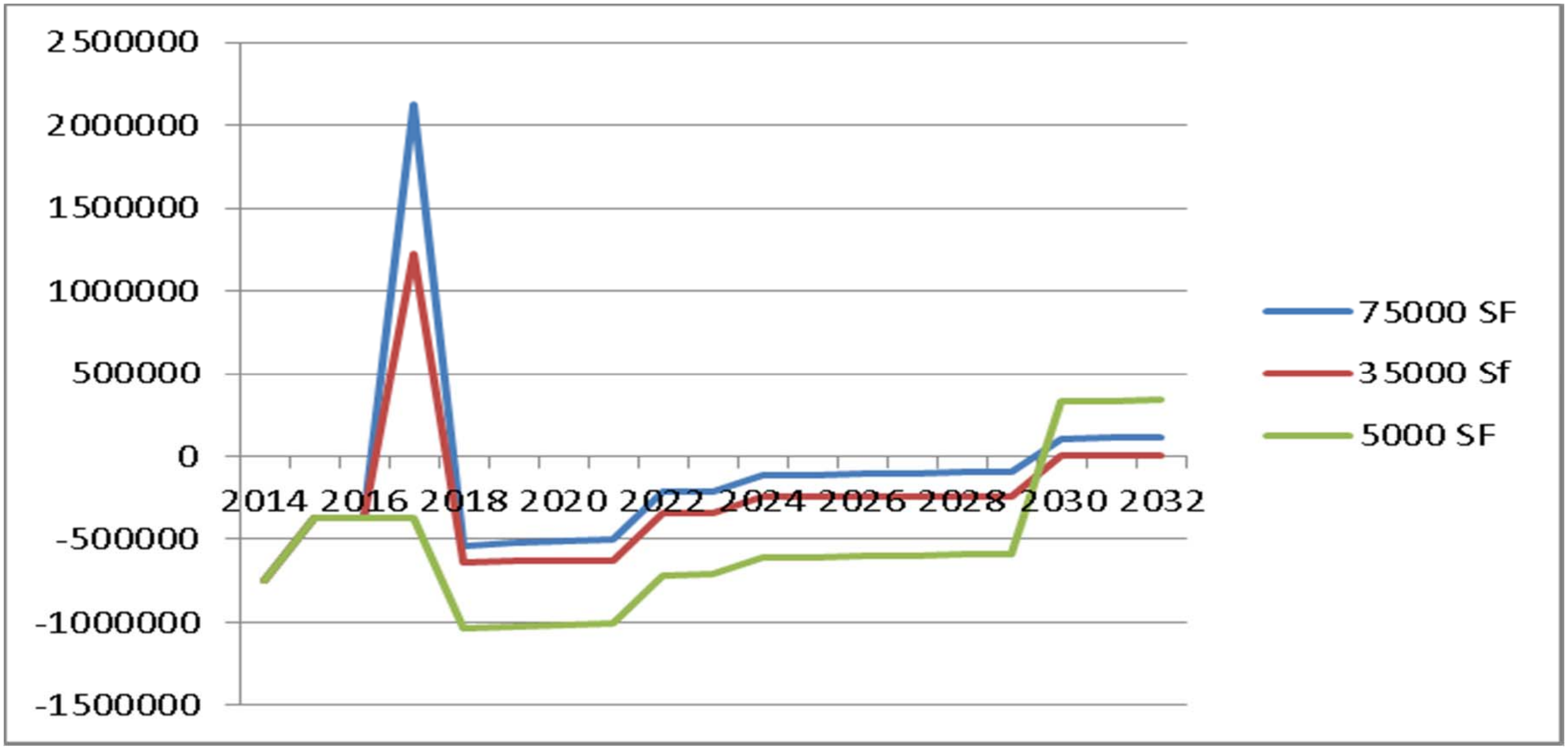
Redevelopment Scenarios

- Scenario 3: 5,000 s.f. event center – most variables in development and operating costs, market demand, pricing, future competition

  - $7.5M investment in parkland / event center acquisition and development, plus operations and maintenance
  - No property taxes but new sales taxes
  - Investment in surface parking
  - Annual “deficit” (expenses > revenues) averages $526,000 over first 15 years
  - Cumulative deficit = $10M

Redevelopment Scenarios

- Comparison of annual net deficits / surpluses



Broader Fiscal Context

- With lower density, Town must revisit its 2013 fiscal plan and figure out how to fund public space acquisition, development, maintenance
  - Less for Scenario 1, more for Scenario 3

- Town must also reconcile new CDC Parcel fiscal plan to broader Town financial context
  - 2016 – 2020 Financial Forecast as baseline
  - Does not include investment in streets, underpass, affordable housing, day care, other General Fund-backed capital priorities
  - Town is below its General Fund balance target now and will drop further with CDC Parcel reimbursement less than $2.5M
  - Two Options: Increases in Town taxes / fees, and/or reductions in other portions of General Fund budget

Private vs. Public

- Focus on private vs. public use is misleading
  - Private sector can deliver public goods, and public sector can deliver private goods
- Focus should be on which land use is desired and feasible to develop and sustain <u>here</u>.
  - And with clear understanding of benefits and trade-offs
- Next consideration is which sector has capacity to develop and operate the desired use
  - Analysis of Town risk and reward, upfront and over time
  - Town priorities and risk mitigation can be secured with Town planning approvals and incentive agreements
- Basalt needs private investment, elsewhere throughout Town, if not on CDC parcel itself.

Options for Next Steps

- Not Mutually Exclusive:
  - Deliberate on CDC parcel land use options – with adjacent areas?
  - Analyze fiscal factors: CDC parcel-specific and broader context
  - Decide on a land use scenario “type” and dig into details of how best to get it done, balancing Town risk and reward
  - Seek to re-engage CDC and Lowe in discussions
  - Or, if prepared to lead the way, engage other potential partners
  - Decide to do nothing and let CDC figure it out.
- Our one recommendation: get fiscal plan in sync with land use plan, and other Town dynamics