



Denver City Council

**SPECIAL JOINT MEETING:
Economic Development, Finance, & Public Works Committees
Summary**

Wednesday, January 4, 2006, 10:30 a.m.

Council Conference Room

Economic Development Committee Members Present: Hancock, Chair; Wedgeworth, Vice-Chair; Brown, Faatz, Garcia, Linkhart

Finance Committee Members Present: Boigon, Chair; Faatz, Vice-Chair; Brown, Garcia, Lehmann, MacKenzie, Wedgeworth

Public Works Committee Members Present: Brown, Chair; Montero, Vice-Chair; Hancock, Robb

Public Works Committee Members Absent: Johnson, Lehmann

Other Council Present: Rodriguez

1) **Cherokee Redevelopment Project:**

Committee Action

The Committee approved the following schedule and legislative process for filing all bills related to the Cherokee project:

- January 18, 2006 = Joint meeting among Economic Development, Finance, Public Works Committees
- January 24, 2006 = Mayor Council
- January 25, 2006 = Joint meeting among Public Works, Economic Development, Finance Committees at 3 p.m.
- January 26, 2006 = City Attorney's Office will file all bills
- January 30, 2006 = First reading
- February 6, 2006 = Second reading and public hearing

Committee Discussion

John Huggins, Mayor's Office of Economic Development (OED), reported there were revisions made to the term agreement at the suggestion of various Councilmembers. They include:

- Prevailing wage standards would be applied to the \$85 million in eligible costs (metro districts would comply with the prevailing wage ordinance in all district contracts for infrastructure construction);
- The districts would apply living wages (City's ordinance) to the operation and maintenance structure of the districts – this is a change in Denver's policy and has never been done before;
- An adjustment to the fiscal schedule increases City's share of TIF outflow by \$325,000 annually;

- The First Source Program that would provide for preferential employment would include all neighborhoods.

Mr. Huggins explained that the documents to finalize the agreements and plan include three Metro Districts Service Plans, an Intergovernmental Agreement (attached to Service Plans); an amendment to the Urban Renewal Plan; a Cooperation Agreement, a Framework Agreement; and a four-party Agreement concerning Cherokee Redevelopment (see attachments). Karen Aviles, City Attorney's Office, indicated that all agreements are inter-related and reflect the term sheet and other commitments from Cherokee/Districts, Denver Urban Renewal Authority (DURA), and the City. The following information highlights each agreement and clarifies certain aspects of the proposals:

Three Metro Districts Service Plans:

- The service plans would follow the proposed term sheet – service plans do not typically come to Council, but are approved by Council;
- Each district debt mill levy will be capped at 50 mills and would have an operation and maintenance mill levy cap of 10 mills (generally, 5 mills are levied);
- Districts would comply with Small Business Enterprise (SBE) and Disadvantaged Business Enterprise (DBE) regulations;
- District 1 would issue bonds with funds from Districts 2 and 3 – the DURA Board approves issuances – Districts would submit to DURA and the City the process to issue bonds;
- The Districts would sign agreements regarding the development prior to spending any TIF or district funds;
- The increase of \$325,000 per year would not begin until year 11 – the first 10 years would still be focused on the build out, but the change provides for a zero fiscal impact to the City over 25 years;
- The prevailing wage calculation takes into consideration payment for health benefits, if not covered completely; the differential is paid based on the ordinance.
Councilmember MacKenzie requested that language be included in the agreements to assure that the health benefits are included in prevailing wage and living wage provisions.
- Best value contracting is planned for the entire \$126 million – the Districts would hire for all contracting, within the next week a construction manager will be hired to manage the operations of the project (five contractors have bid);
- Hiring and payment flows as follows: Metro Districts contracts for work, DURA makes payment to contractors;
- The \$126 million includes a 10% contingency budget to account for any project scope changes;
- All Cherokee land is included in the District except for one parcel and a portion of land owned by the Regional Transportation District (RTD).

Intergovernmental Agreement (attached to Service Plan) – between the City and Districts:

- Agreement reflects the relationship between the City and Districts;
- Purpose and process for Regional Mill is outlined;
- Requires reporting and budgeting reconciliation – approvals for scope and changes to infrastructure plans and funding;

- Funding process for City capital improvements;
- Compliance language with living wage ordinance, prevailing wage, and First Source Program.

Urban Renewal Plan Amendment – between Council and DURA:

- Original plan from the June 2003 designation as an urban renewal area (blighted area);
- Will maintain eligible infrastructure list for TIF funding; TIF authorization; First Source hiring; public art provisions; and SBE requirements.

Cooperation Agreement – between Council and DURA:

- Primarily sets up structure for payments – TIF, including flow of District taxes back to District;
- Reflects flow of funds (senior and subordinate bonds) - \$1.825 million for City services out of excess TIF starting at \$95 million in assessed value;
- Sales tax to be TIFed excludes any sales tax voted for specific programs (Denver Public Schools and Department of Human Services mills included based on statute);
- Developer advances – intent and purpose outlined.

Framework Agreement – among Council, Districts, and DURA:

- Approval by Council regarding park land clean up and open space related to Vanderbilt Park West Lake and the operation and maintenance of Vanderbilt Park East;
- Contains vesting of certain zoning entitlements for 15 years;
- Prevailing wage enforcement by City (Auditor's Office);
- Affordable Housing Plan – would allow provisions for changes and enforcement to the plan by the Office of Housing and Neighborhood Development (H&NDS).

Agreement concerning Cherokee Redevelopment – all parties:

- Reflects the City's and DURA's share in % of gross land sales above the threshold amount;
- Outlines the chores of all parties;
- Requires the report and budget reconciliation (bonds) – reflects any infrastructure changes and proposed funding for changes;
- Notice of environmental matters to the City and DURA;
- Contains prevailing wage, living wage, First Source Program, and Affordable Housing language;
- Permits developer advances to be repaid from District or DURA funds.

Questions:

- 1) **Why does Denver structure its TIF the way it does – forgives sales tax above TIF - and can't Denver charge a public improvement fee similar to the City of Lakewood's policy?** Only speculating, until last November, Lakewood's sales tax was 2.5%, adding the 1% public improvement fee allowed the City to take advantage of a low base sales tax. The City could re-evaluate how it structures its TIF. It is important to remember that risks

are managed through various TIF components and that project size and the market impacts how a project is structured.

- 2) **Since there is no development agreement, how would project changes be tracked, who would approve the changes, and where would the public have input?** The various agreements outline the reporting and budget reconciliation requirements. These documents would be available to the public. Significant changes would require approval by City agencies, for example, Revenue, Public Works, and Community Planning & Development. Other issues for the build out (parks and pedestrian plaza) would require Parks & Recreation review and approval.
- 3) **What is the purpose of the annual report/reconciliation requirements?** To manage spending and project progress.
- 4) **Has the City changed its policy on the maximum mill levy cap (see attachment)?** No, the City has gained experience over the years to determine market conditions and to permit an increase of 5 to 10 mills to other districts based on evidence of need (maintenance and operation). 50 mills is the general mill cap and the City is not interested in setting a higher mill cap.
- 5) **Can the Districts decide that the debt burden is too high and who controls the Districts?** The Service Plan defines the debt and purpose – which is approved by Council. The “electors” of the district vote on debt. The electors are property owners in the district (residential/commercial). If it is determined that the debt must be amended, it must go to a vote of the electors.
- 6) **Does the Gallagher Amendment impact this process?** Yes, it impacts the manner in which the property taxes are collected (actual vs. assessed).
- 7) **If the electors make the decisions regarding the mill levy, how are citizens protected from taxation without representation?** Potential buyers are informed about taxes (mill levy – property taxes) as in any situation regarding purchase of property. It is important to remember that infrastructure – streets, parks, pedestrian plazas, are all reflective of standards of living, and taxes are paid to maintain them. An average household of \$250,000 would pay 50 mills or \$1,000 in taxes.
- 8) **Is the Urban Drainage & Flood Control District included in mill?** Yes, along with the school district. Statute assures payment of these mills and the School Finance Act assures wholeness of the school district.
- 9) **Where is the City’s protection to assure that Denver receives its share of payments?** The various agreements assure that the City receives its revenue split and that any shortage gets added to the following years’ amount.
- 10) **Who will monitor the prevailing wage and living wage enforcement?** The project would be monitored similar to the redevelopment of Stapleton Airport. The Auditor’s Office would monitor these components and the details are specified in the Framework Agreement.
- 11) **Should the Auditor’s costs for enforcement be indemnified?** Inspections are part of the City’s responsibility. Additionally, the financing model (\$1.8 million) includes costs that are attributable to the Auditor’s Office.
- 12) **What assurances does the City have that the proposed 200 rental units will happen?** The Inclusionary Housing Ordinance – outlined in the Framework Agreement assures the plan and the ability for H&NDS to amend the plan based on market changes if it is not feasible at any point.