

August 17<sup>th</sup>, 2021

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# Creative Alliances

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Strategically Applying URA's in Pagosa Springs



# Topics and Goals

1. Understand **URA's as Creative Alliances**
2. How to **Be Strategic** about Creating a URA or Urban Renewal Project
3. How to **Leverage Commercial Development** to Generate **Housing**
4. Understanding **Tax Increment Financing (TIF)** – Its Opportunities and Constraints
5. Identifying **Potential Areas for Community-Minded Development**

# Key Terms

1. **URA** = Urban Renewal Authority
2. **P3's** = Public Private Partnerships
3. Urban Renewal **Project** = A designated area in a municipality eligible for urban renewal activities
4. Urban Renewal **Activity** = A development that occurs within an Urban Renewal Project
5. **TIF** = Tax Increment Financing



# Why a URA?

“The Tectonic Plates are shifting. Across the nation, **cities are** taking control of the own destinies, **becoming deliberate about their economic growth. Power** is devolving [from federal and state governments] to the places and **people** who are closest to the ground and **oriented towards collaborative action.**”

*-Bruce Katz and Jennifer Bradley, Brookings Institute 2013*

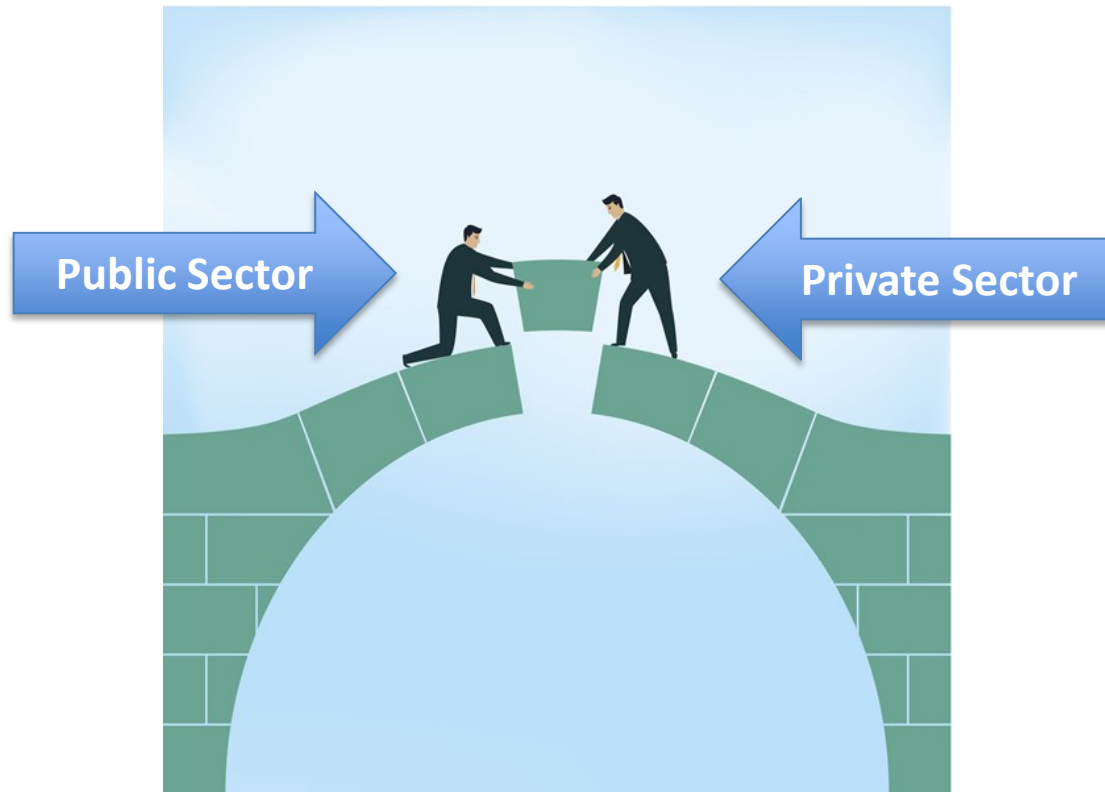
# Why a URA?

How development often feels...

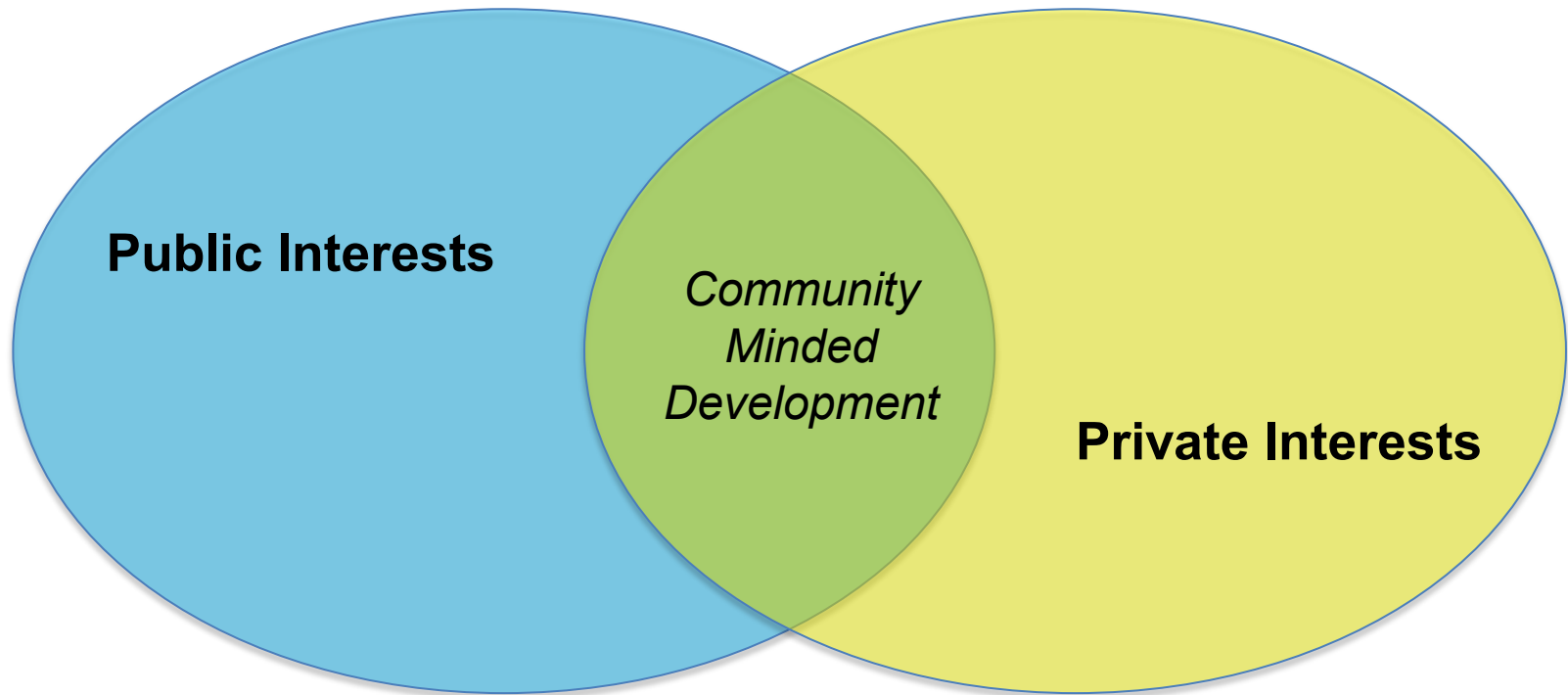


# Why a URA?

How development SHOULD feel...



# Why a URA?

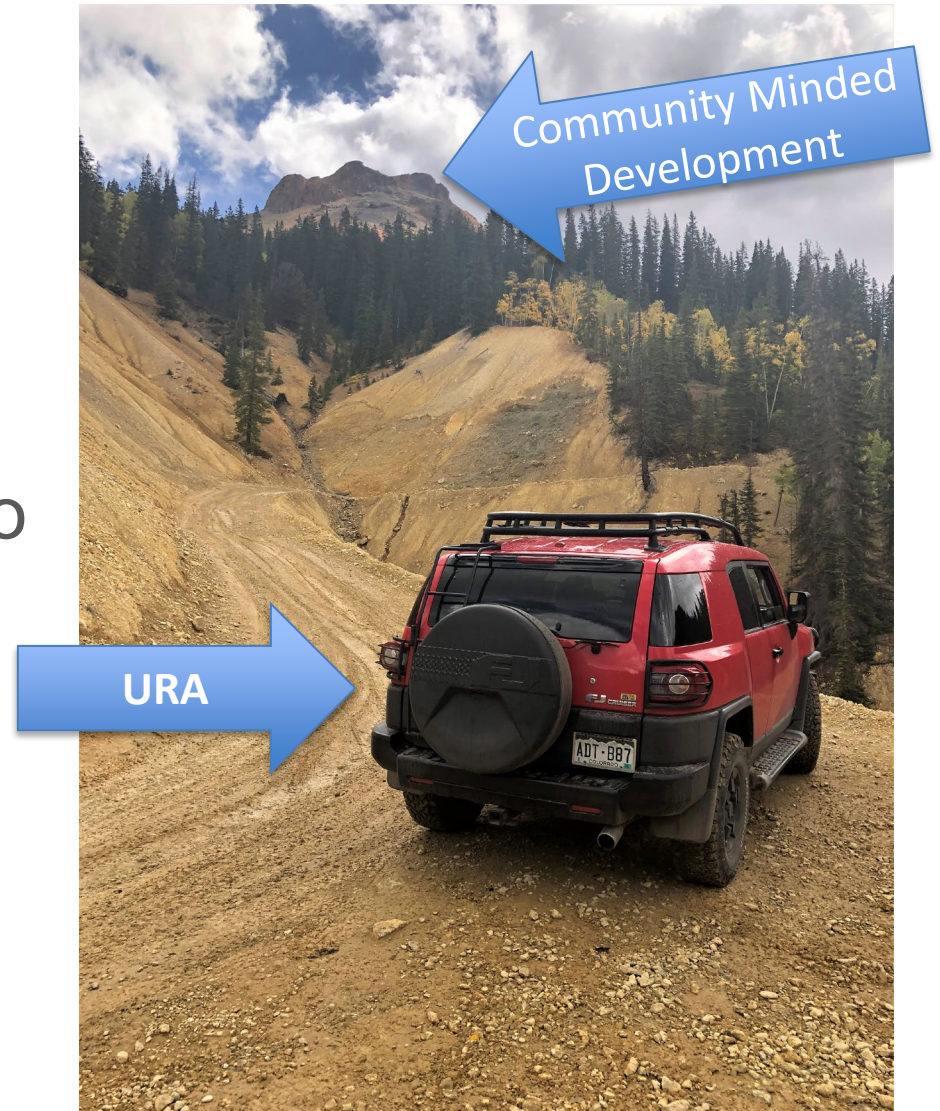


**Community Minded Development:**  
(where market demands align with community needs)

# Why a URA?

So how do we arrive at **Community Minded Development**?

- We need a **vehicle** to get us there...

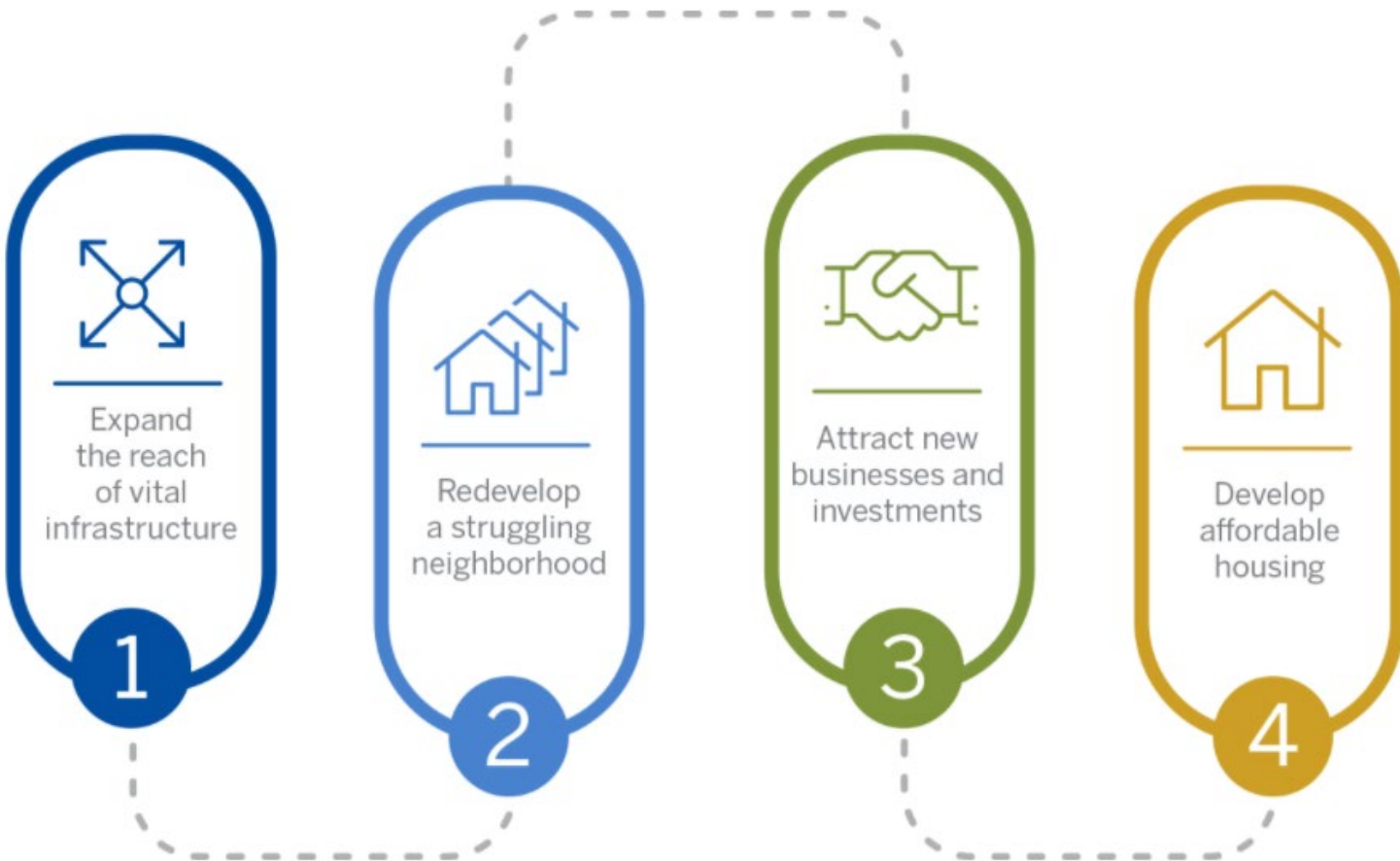






# Why a URA?

A URA Can Help Your Community:



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# Strategically Forming URA Projects

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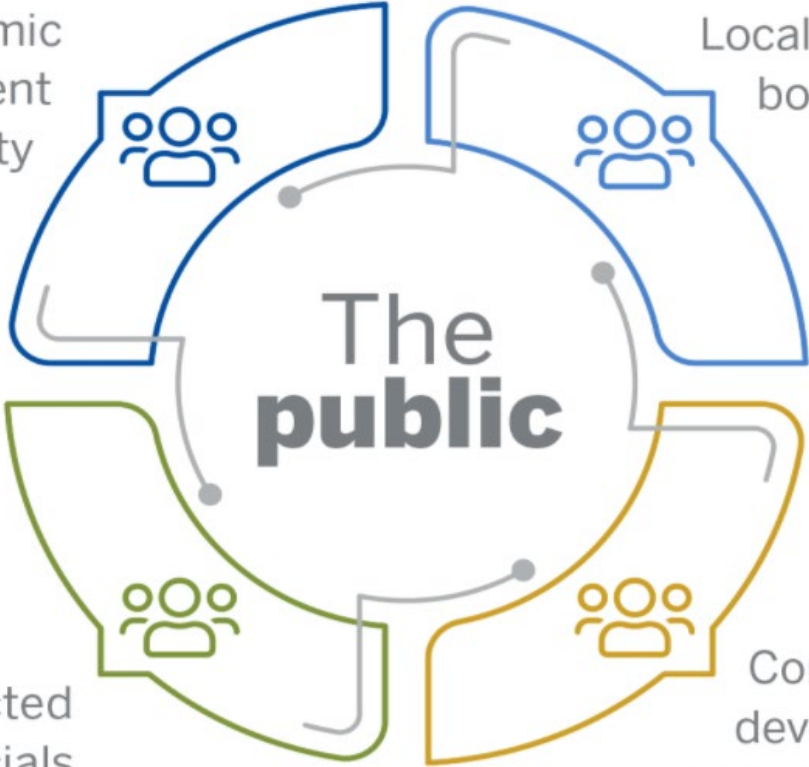


# What Makes a URA Successful?

A successful URA is fully backed by:

The business and economic development community

Local taxing bodies



Elected officials

Community development and planning staff

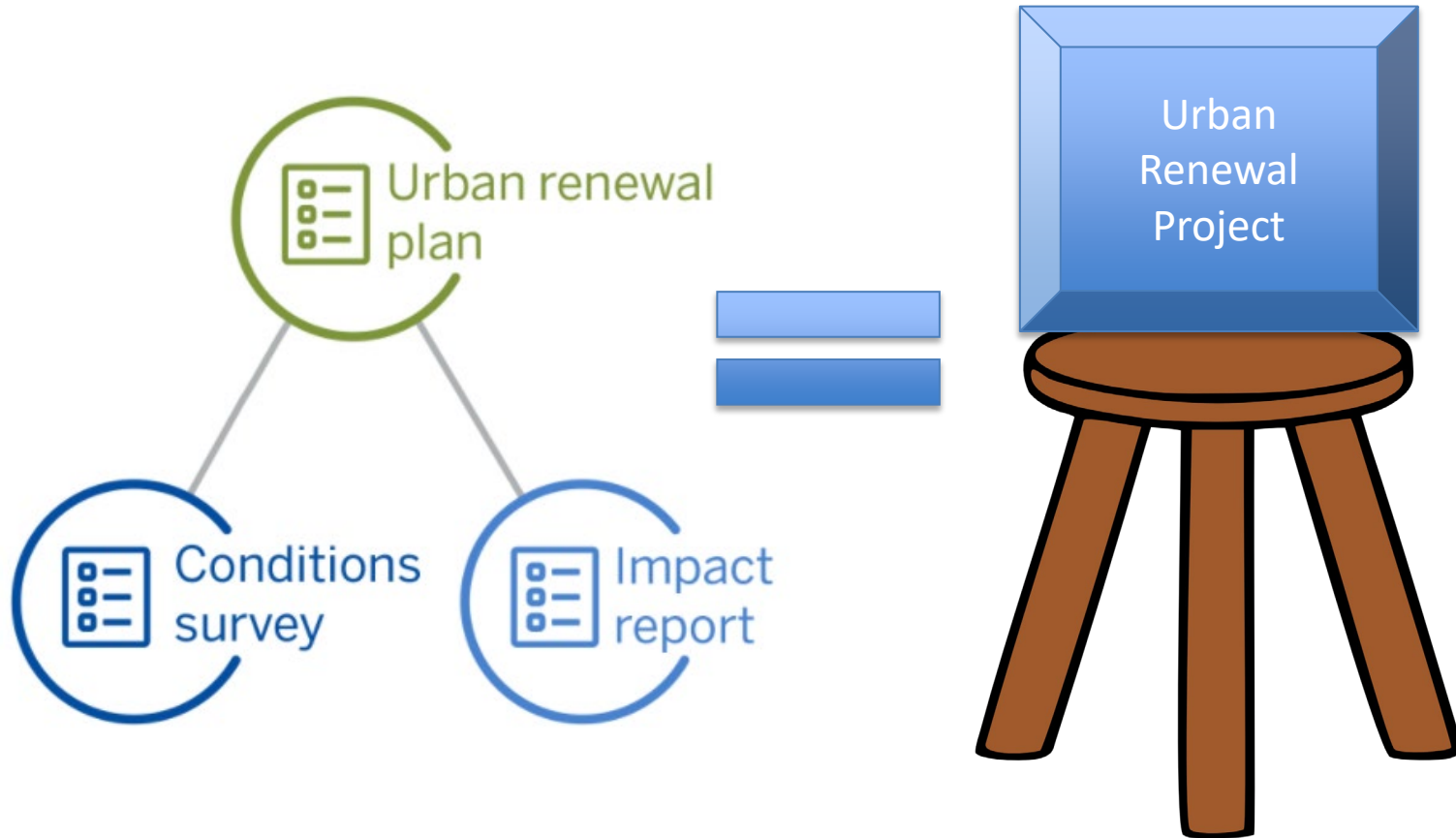
# Step 1: Public Outreach

## Strategy = Be Proactive

- **Align with Adopted Plans**
- **Cultivate** support for **economic development**
- **Pre-emptively** approach **key stakeholders** and **organizations**
- Clearly articulate **Costs** and **Benefits**
- Conduct reports and studies in a **comprehensive manner**



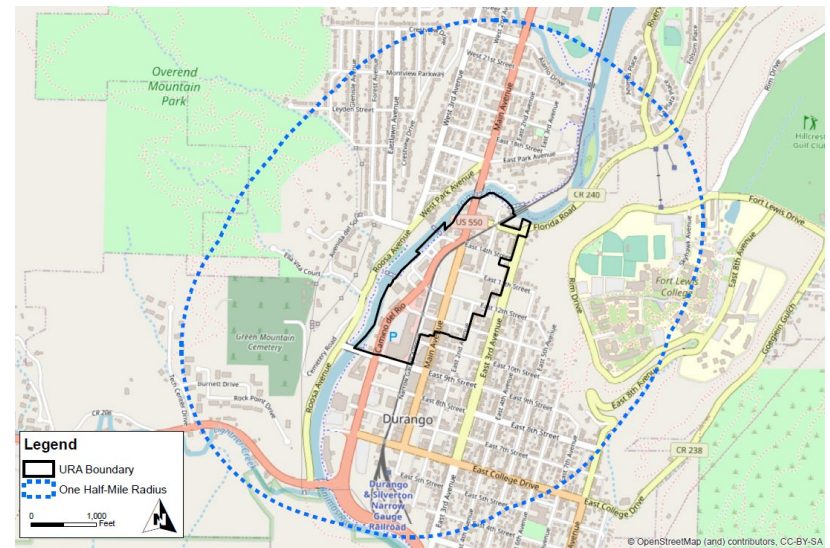
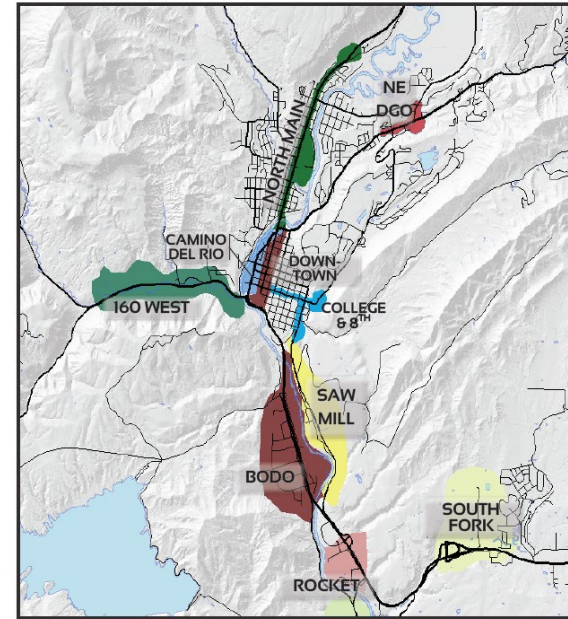
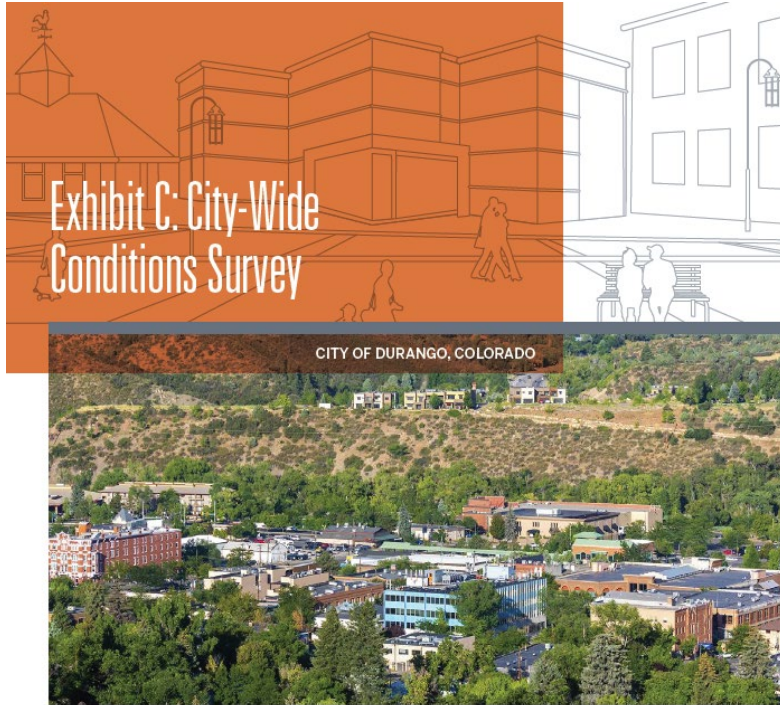
# Step 2: Plans and Reports





# Conditions Surveys

- Strategy = Comprehensive



Prepared for:



Prepared By:

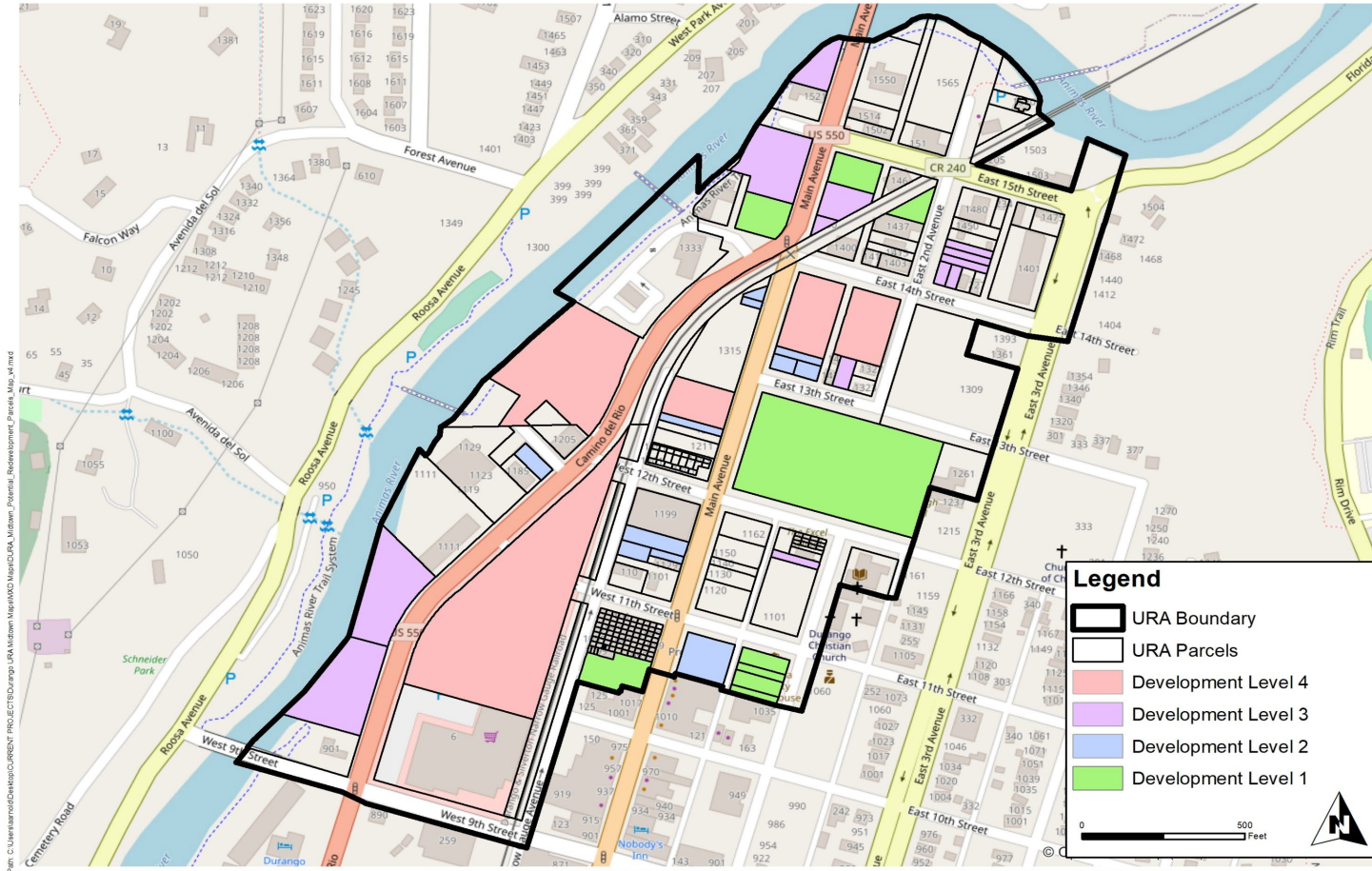


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February 10th, 2020



# Impact Reports – A Roadmap



Project Number: DURPL 158124  
 Print Date: 1/18/2021



Map by: aarnold  
 Projection:  
 Source:

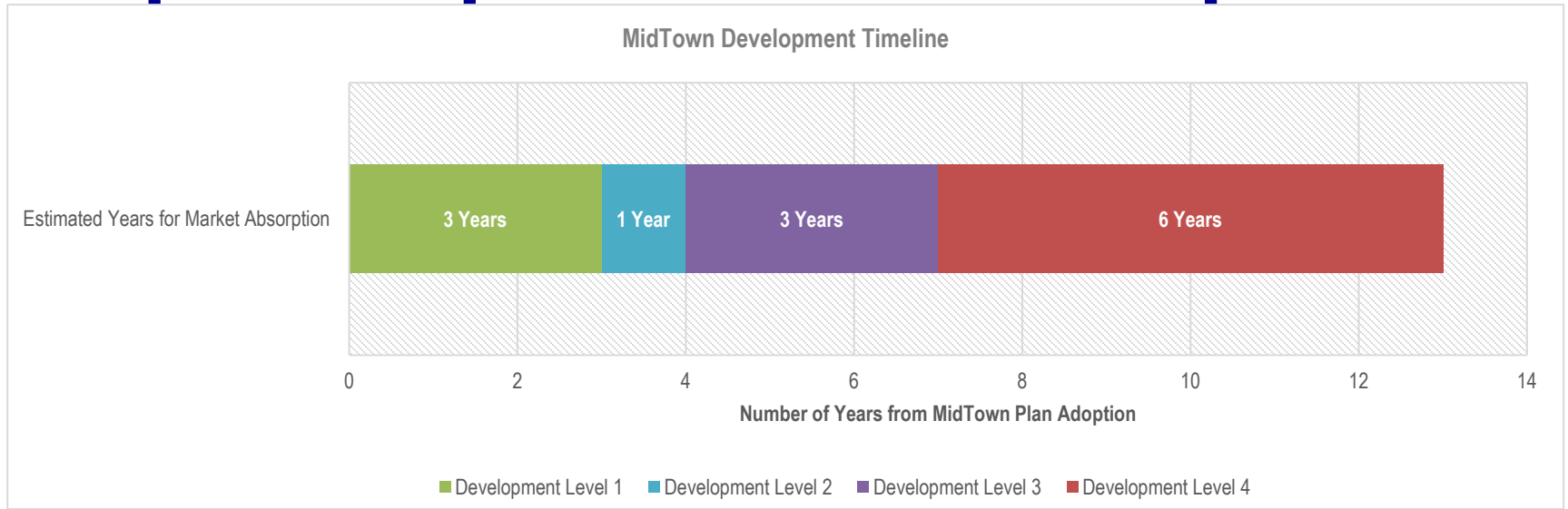
Midtown URA Boundary  
 City of Durango, Colorado

**FIGURE**  
 All Development Level Map

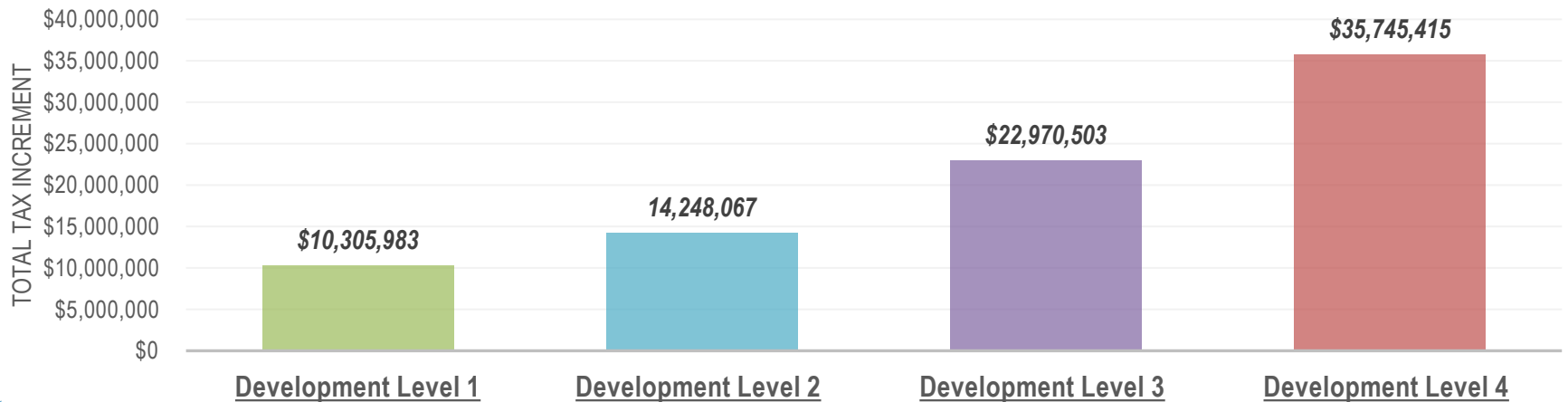
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# Impact Reports – A Roadmap



## Estimated Tax Increment (*Real Property and Sales*) Generated by Development Level







# Urban Renewal Plan

- Have vision yet be flexible:



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# **URAs, Commercial Development & Affordable Housing**

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# What if I Told You...

**URA's can Leverage Commercial Development to help:**

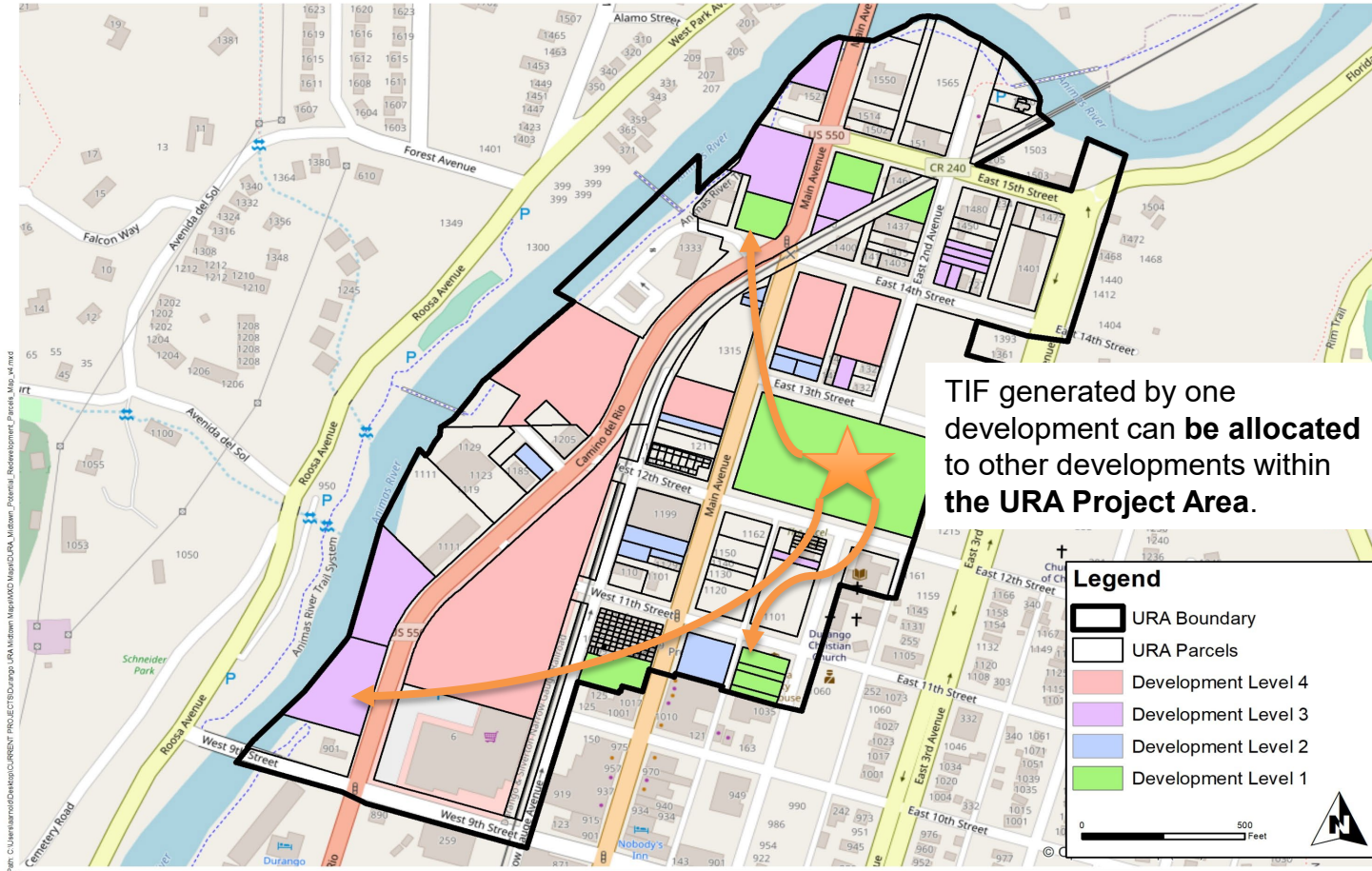
- Incentivize Affordable Housing
- Finance Public Infrastructure
- Generate Public Amenities



# URA = Bridging this Gap

- An **Urban Renewal Project** can incentivize and **help fund housing** development:
  - Colorado's Urban Renewal Law authorizes URA's (and DDA's) to **utilize Tax Increment Financing (TIF)**.
  - TIF is a financing mechanism that uses future tax revenues to help fund development today.
  - URA's can **utilize TIF** on a specific activity, or leverage that increment on another activity **within the project area**.

# URA = Bridging this Gap



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# TIF – Opportunities and Constraints

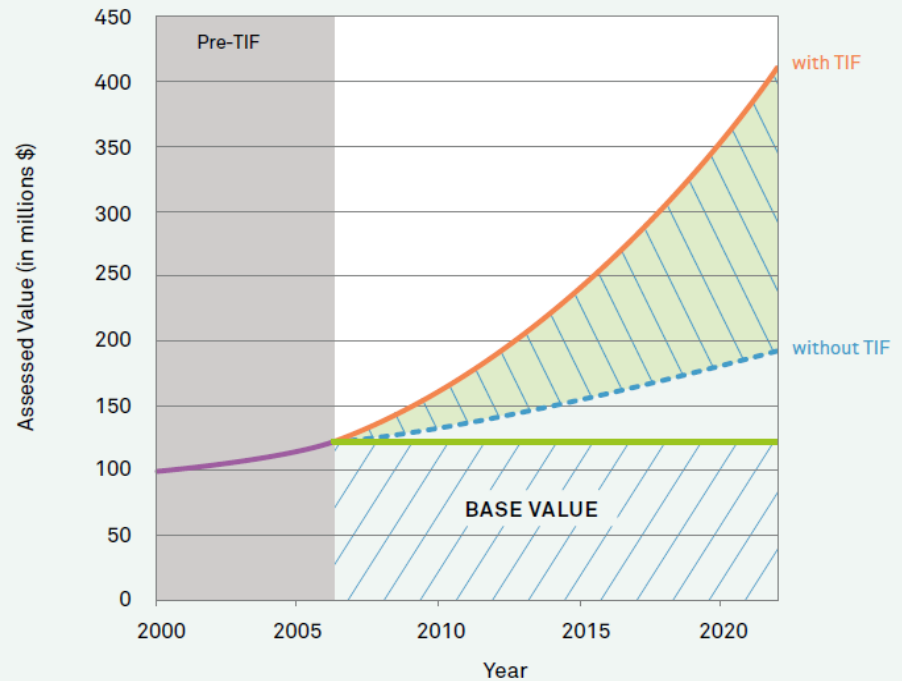
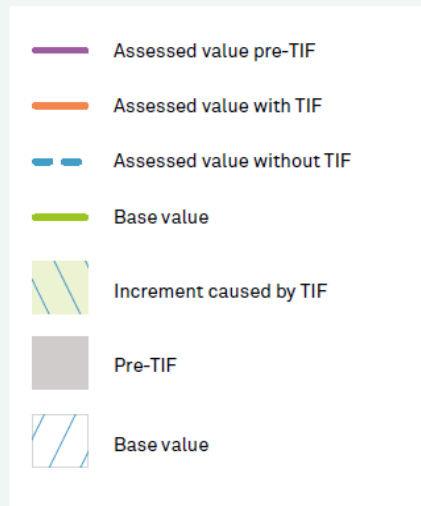
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# What is TIF?

- TIF is a **redevelopment strategy** that leverages a development's future tax revenues to incentivize redevelopment today

Figure 1  
Hypothetical Example of Assessed Value With and Without TIF



Source: Lincoln Land Institute



# Not all TIF is Created Equal...

- TIF can be based on **Property Tax** and **Sales Tax**
- The amount of **TIF generated** based on **taxable value**
- **Question: On a per-square-foot basis, which property generates the most taxable revenue?**



A



B



C



# Assessment is Everything

- Because of **Assessment Ratios**, the taxable value for a development can *vary greatly*:

	Development X	Development Y
Market Value	\$ 1,000,000	\$ 1,000,000
Type of Development	Office Building	Apartment Building
Assessment Type	Commercial	Residential
Assessment Ratio	29%	7.15%
Taxable Value	\$ 290,000	\$ 71,500
Tax Area	Same	Same
Mill Levy	65.361	65.361
Annual Tax Revenue	\$ 18,954.69	\$ 4,673.31

- A Development's Tax Revenue can be as much as 4x different depending on its assessment
- *Lesson: Be Strategic when Incentivizing Development*

# Balancing Incentives and Needs

- Commercial Development often generates more TIF, i.e. more incentives
- Residential Development is often a community need, i.e. affordable housing
- An Urban Renewal Project needs to balance these realities.



# Example Case Study

- **Assumptions:**
  - Your Town has established a URA Project
  - Property in the Project Area is currently **Vacant**
  - Property is currently **Tax Exempt**
  - **Proposal is for Mixed-Use Development**

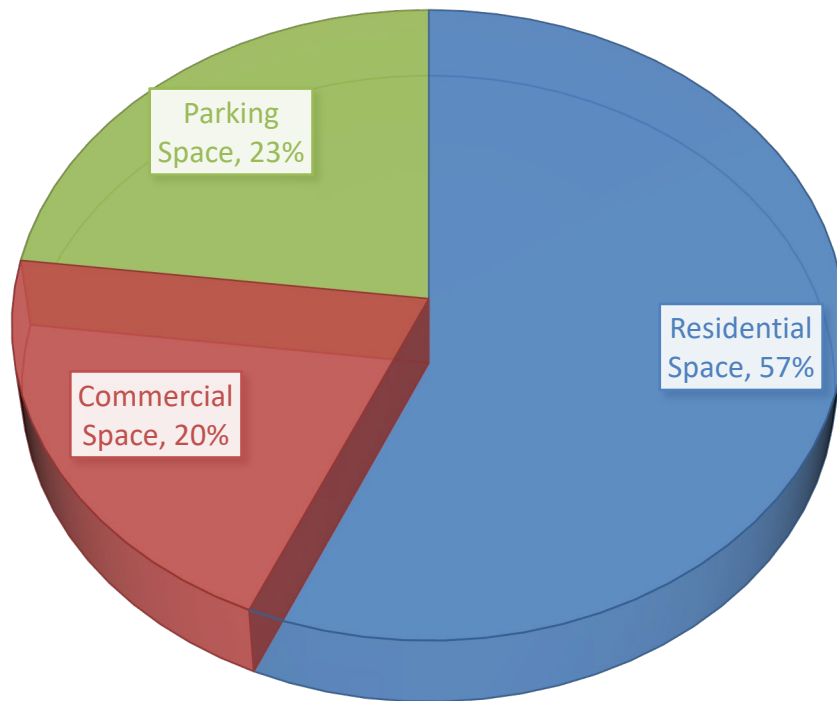


# Case Study Assumptions

- TIF Model Assumptions
  - The modelling assumes **Your Community's URA collects 100% of the Property Tax Increment**
  - Assumes that property is within a **singular Tax District**
  - Assumes **District Mill Levy equals 65 mills**
  - Assumes proposed development takes **two years** to complete...

# Development Scenario

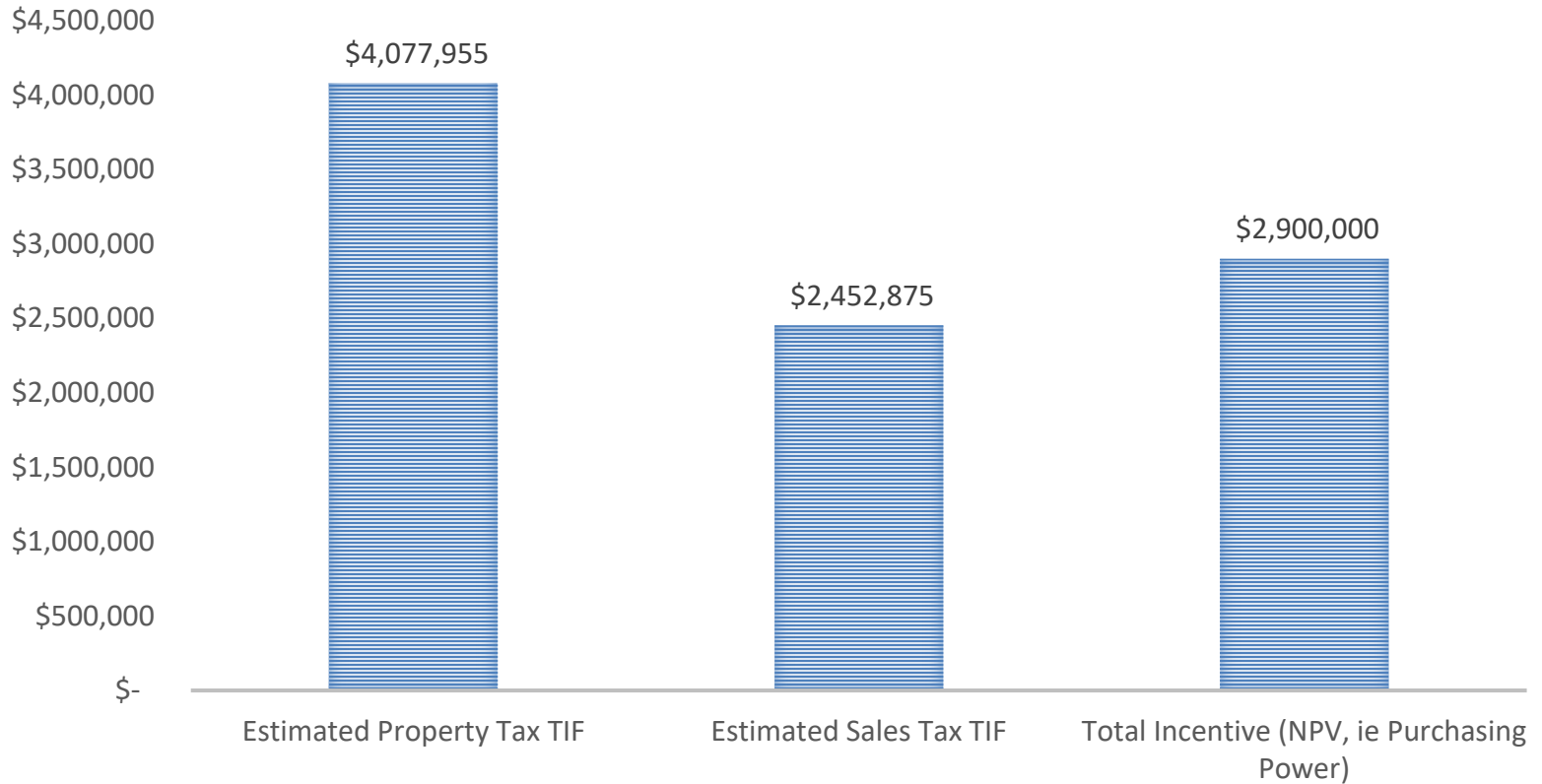
## MIXED-USE DEVELOPMENT SCENARIO



- Development Site is **0.5 Acres**
- Development is a **Mixed-Use Building**
- **Structured Parking**
- **95,977 Square Feet**
- **78 Residential Units**
- **19,623 SF Commercial Retail**
- Estimated **Assessed Value = \$2,490,000**

# Forecasted Value

## TIF PROJECTIONS AND INCENTIVE ESTIMATE\*



\*The Incentive Estimate for this development assumes a Bond Issuance at a 5% discount rate and a 125% debt service coverage

# Key Takeaways

- Think of **URA's as Creative Alliances**
- **Be Strategic** with your **outreach, reports and plans**
- Balance **community needs** with **development incentives**
- The **type of development** may **impact TIF**
- **Leverage commercial development** to help fund **residential developments**

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**Questions?**

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# Locating Community Minded Development

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# Pagosa Springs Creative Alliances

- Pagosa Springs URA Mission Statement:

“...to facilitate **public and private investment** in **underutilized areas** to address **community priorities** and **create thriving places**”

**The Guiding Vision of PSURA** underscores the desire for **community-minded development**, and the formation of **Creative Alliances**.



# Pagosa Springs Creative Alliances

- Question:

“What types of **development** would you like to see more of in Pagosa Springs?”



# Pagosa Springs Creative Alliances

- Question:

“What types of **commercial development** do you believe the Town needs?”



# Pagosa Springs Creative Alliances

- Question:

“What types of **residential development** do you believe the Town needs?”



# Pagosa Springs Creative Alliances

- Question:

“Are there **infrastructure projects** that you would like to see the PSURA support?”



# Pagosa Springs Creative Alliances

- Question:

“Are there **areas** of Town that could **be safer** for **pedestrians and bicyclists**?”

# Redevelopment Mapping Exercise



# SEH Article



## How Colorado Communities Can Benefit from an Urban Renewal Authority

Andy Arnold  
Daniel Botich

In Colorado, you can find amazing projects that exist because the community formed an urban renewal authority (URA).

