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2020 / WESTERN PLACES / WESTERN SPACES

MARCH 5-6, 2020

BONUS WORKSHOP / MARCH 4 / DEVELOPMENT FINANCE



UNIVERSITY of
DENVER

STURM COLLEGE OF LAW

RMLUI

ROCKY MOUNTAIN
LAND USE INSTITUTE

PRE-CONFERENCE WORKSHOP: DEVELOPMENT FINANCE

9:00 am	From Idea to Deal
10:45 am	Real Estate Finance Basics
1:00 pm	Role of Government in Real Estate Finance
2:45 pm	Paying for Infrastructure

ROLE OF GOVERNMENT IN REAL ESTATE FINANCE

Governmental entities, particularly local ones, play a role in making projects feasible or infeasible, whether directly or indirectly. This panel will examine some of the ways in which government action can make projects more or less likely to develop, or encourage particular types of investment in their communities.

PANELISTS

Moderator: Cory Rutz
Otten Johnson Robinson Neff & Ragonetti, P.C.

Panelists: Carolynne White
Brownstein Hyatt Farber Schreck, LLP

Jeff Handlin
Oread Capital & Development

Steve Greer
City of Centennial Community Development

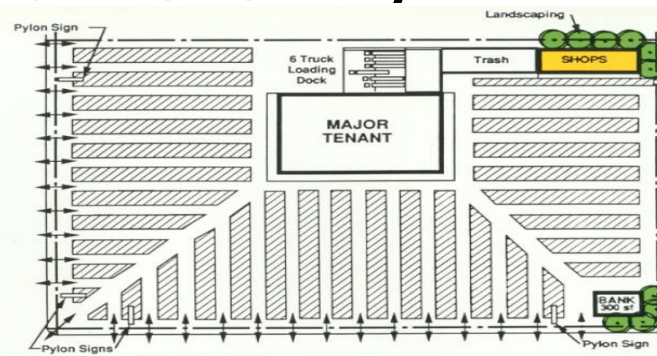
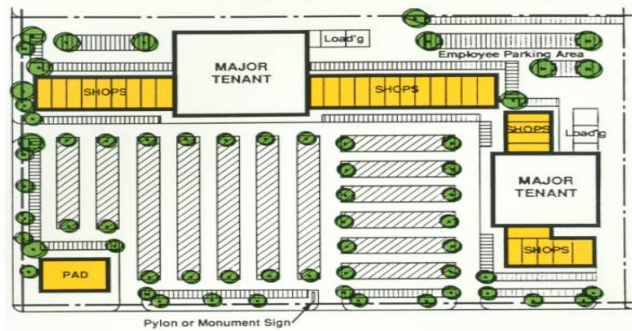


Role of Government in Real Estate Finance

Presented By
Carolynne White

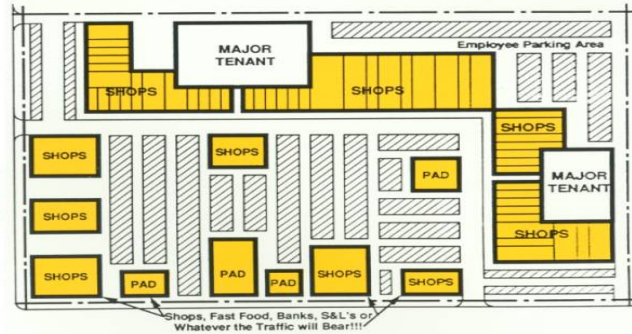
We all see things differently . . .

A
TYPICAL
SHOPPING
CENTER



A
SHOPPING
CENTER
AS SEEN BY
MAJOR
TENANT

A
SHOPPING
CENTER
AS SEEN BY
DEVELOPER



A
SHOPPING
CENTER
AS SEEN BY
THE CITY

Perspectives: Public v. Private

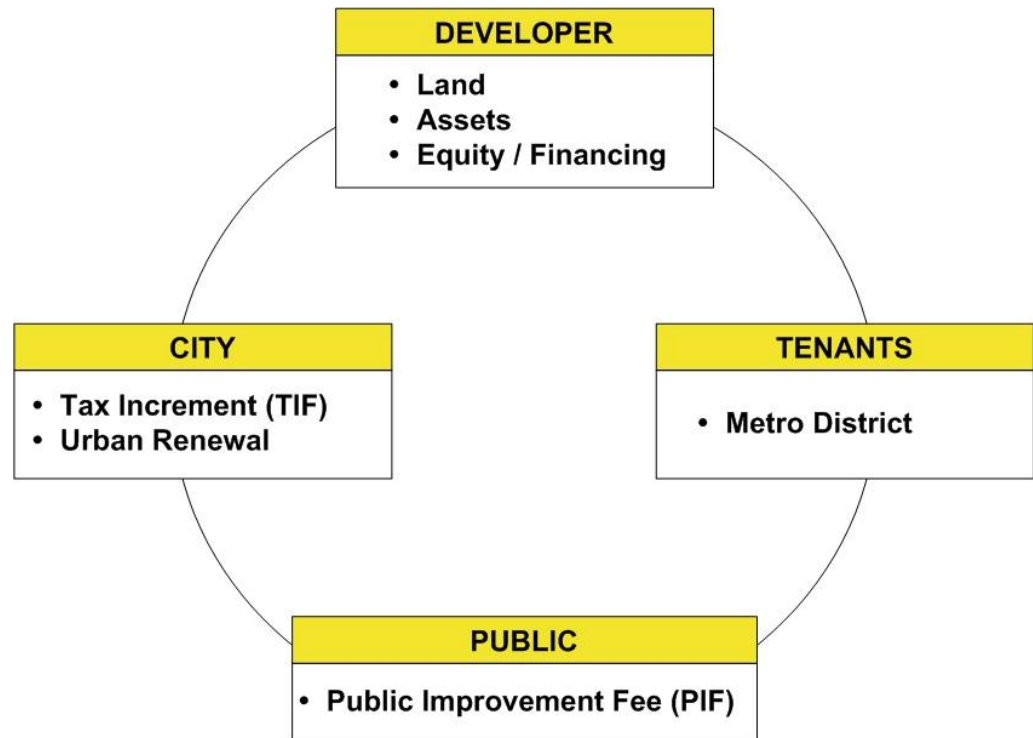
- Increased/more sophisticated public demand for infrastructure and services
- Changes in tax policy → more public improvements financed by private developers
- Cities (and citizens) want development to pay its own way
- Result → More public/private partnerships, lines blurred



"Someday, all this will be infrastructure."



In today's environment, large, complex or phased projects rarely get developed without some form of public participation



Why would projects need help?

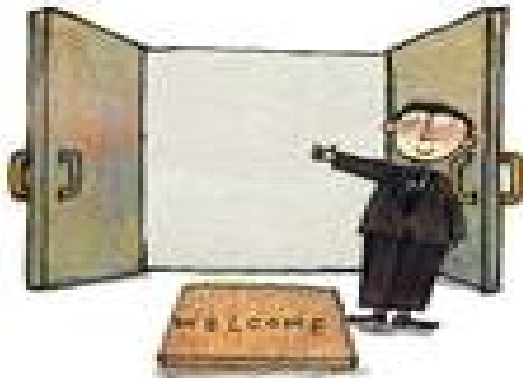
- Environmental contamination – soil, water, building
- Costly demolition or infill
- Complicated property assemblage
- Aging or inadequate infrastructure/utilities
- Topography
- Flood plain/way issues
- Community vision versus market demand

Regulatory Environment

What is the desired outcome?

- Regulatory scheme should make it **easy** to do things that are part of the vision, and **hard** to do things that are not part of the vision
- What do you want your lowest common denominator to be?

What message does your regulatory scheme send?



Is it a welcome mat, an engraved invitation, or is it a "No Trespassing" sign?



Developers want balance between certainty and flexibility

- What is the vision of the community?
- How does my project fit into that vision?
 - How is the vision implemented? What is the process?
 - How long will it take to get approval?
 - Are the criteria clear? What is the process?
- If it doesn't fit, how much flexibility exists for deviating from vision/regulations?
 - Is there a process?
 - What are the criteria?

Counties/Municipalities – Flexibility is Key

- New/more flexible code provisions
- New policies to spur redevelopment
- Financing tools – such as special districts
- Expedited processing
- Zoning overlays/special zoning districts
- Staff liaison & developer coordination
- Finally . . .incentives and credits

Incentives are Great, but . . .

- You can't incentivize your way out of an unfriendly regulatory environment



Building on the Foundation

- What tools will generate the desired investment? Some examples . . .
 - Fee waivers/reduced fees
 - Expedited processing
 - Financing tools
 - Title 32 special districts
 - Other types of improvement districts
 - General Improvement District (GID) (§§31-25-601 *et seq.*)
 - Special Improvement District (SID) (§§31-25-501 *et seq.*)
 - Business Improvement District (BID) (§§31-25-1201 *et seq.*)
 - Tax increment financing
 - Urban Renewal Authority (URA) (§§31-25-101 *et seq.*)
 - Downtown Development Authority (DDA) (§§31-25-801 *et seq.*)
 - Sales tax sharing
 - annual appropriation
 - Credit PIF

Questions?

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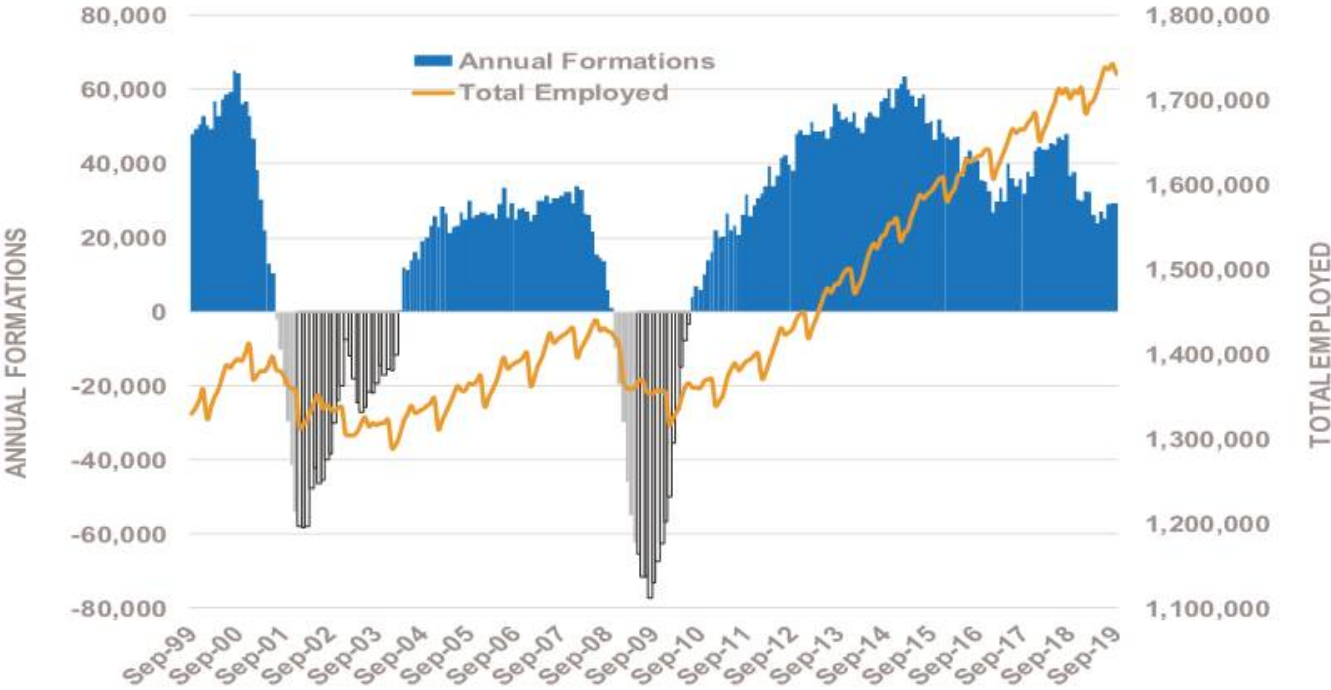
Denver has nation's No. 3 job market, Wall Street Journal

Feb 24, 2020, 4:51pm EST

Denver moved up in the ranks to third place from ninth. Seattle and San Francisco also moved up to round out the top five large metropolitan areas.

Among smaller metropolitan areas, Boulder, Colo., beat out [Midland, Texas](#), for the top of the list. Two other Colorado areas—Greeley and Fort Collins—made the top 10.

Denver Metro Job Growth Remains Steady: Increase of +29,200 jobs = 1.7%



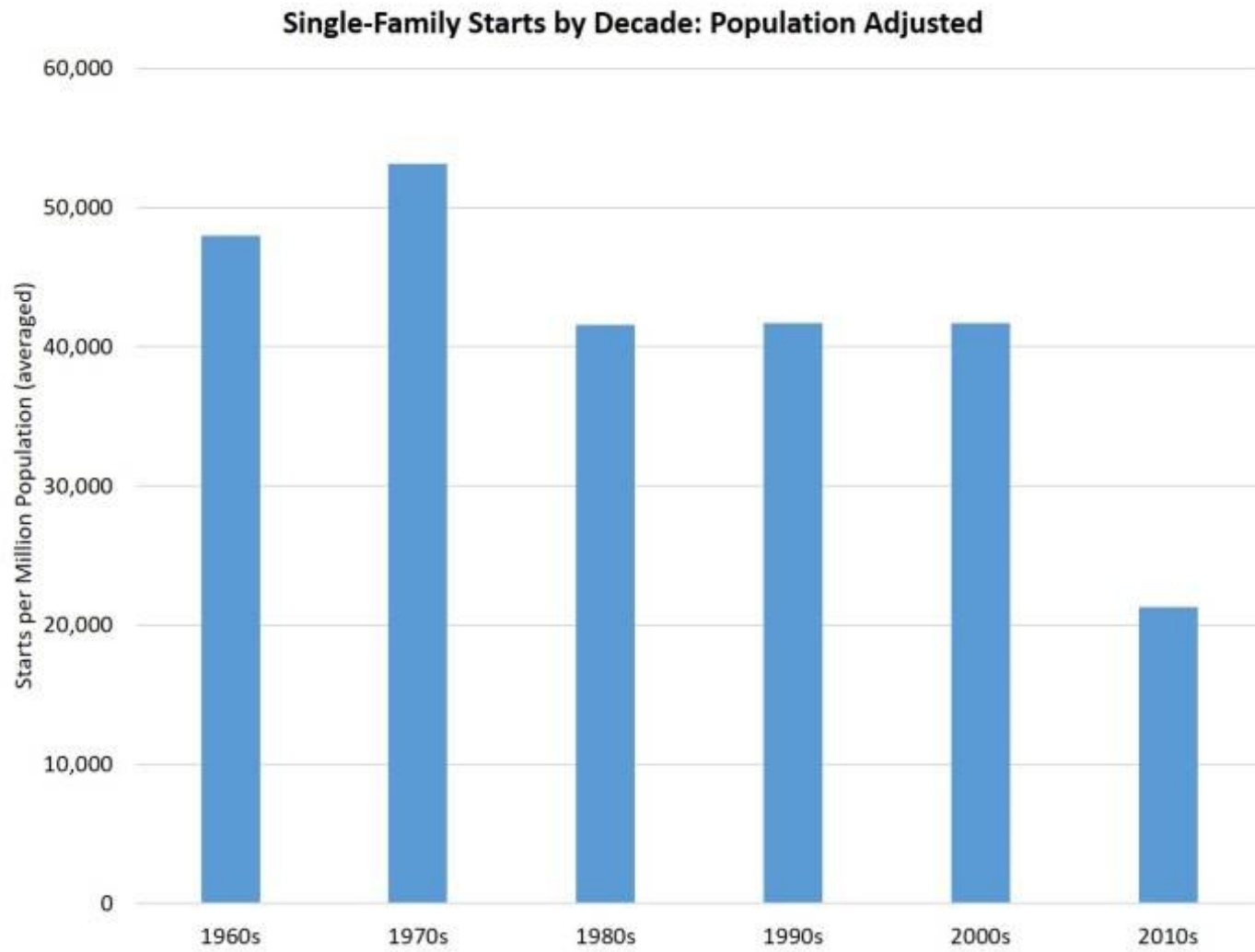


“Vermont is one of many states with a population that is dwindling. Around **80% of counties across the country—largely those clustered in the north-east and Midwest—lost working-age adults from 2007 to 2017**, according to the Economic Innovation Group (eig), a think-tank.” - The Economist January 3rd, 2020.

The
Economist



new jobs = new households = new homes

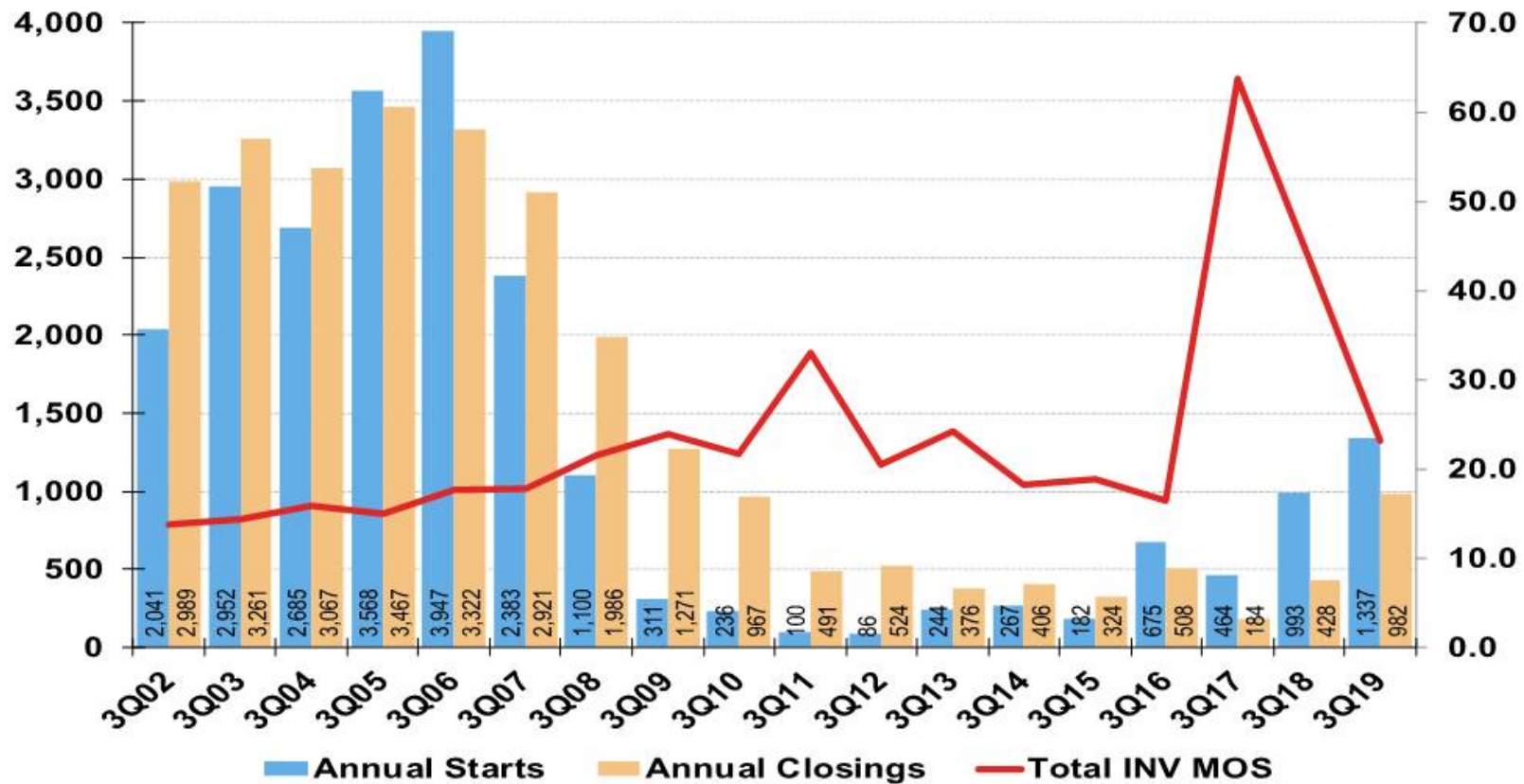


Source: National Association of Home Builders

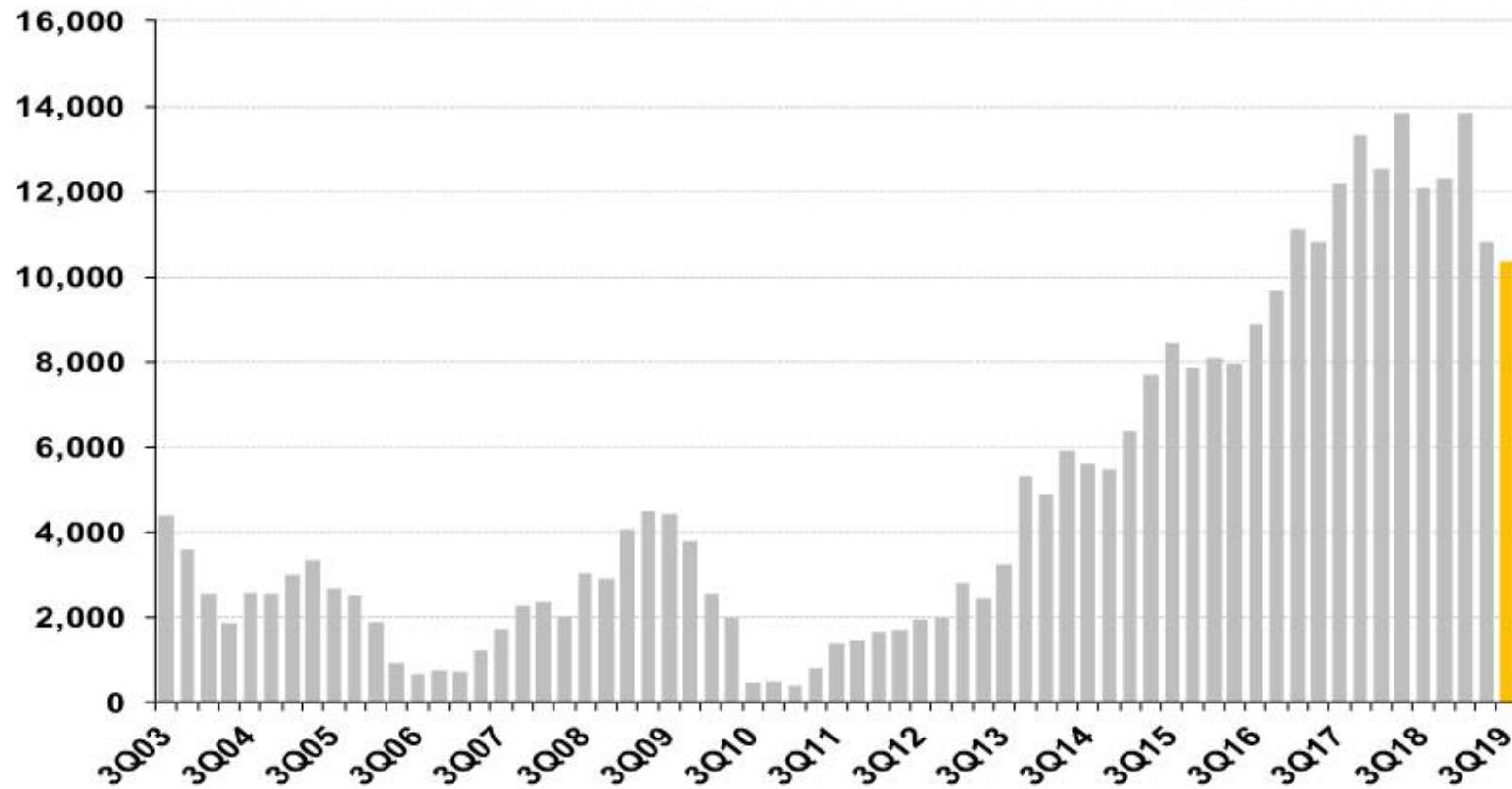
Closings Continue to Outpace Starts Keeping Housing Inventory Low



Condominium Starts and Closings Are Slowly Trending Back Up....



Most New Residential Additions to Denver-Boulder MSA Were Rental Apartments



The Missing Middle

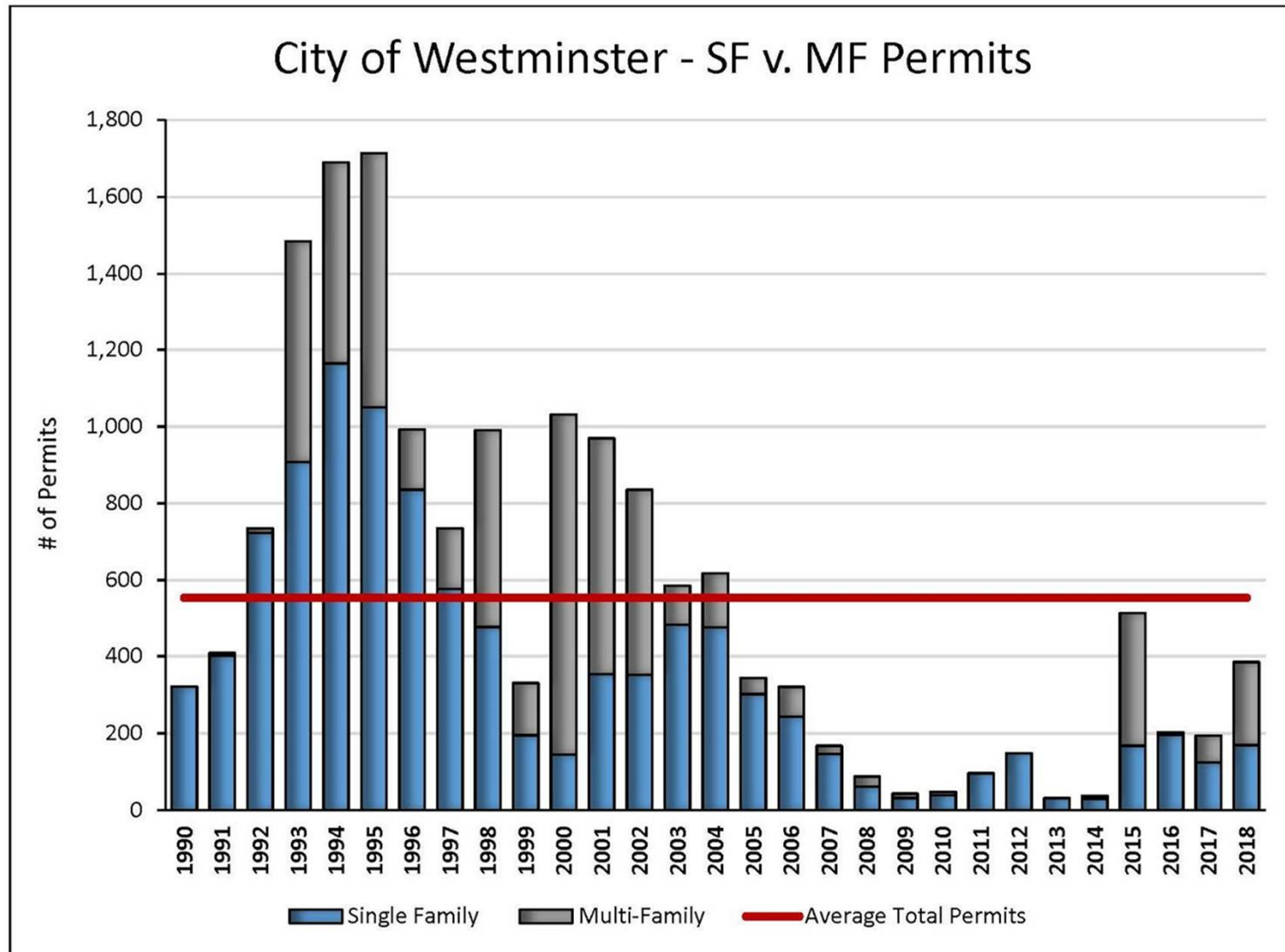


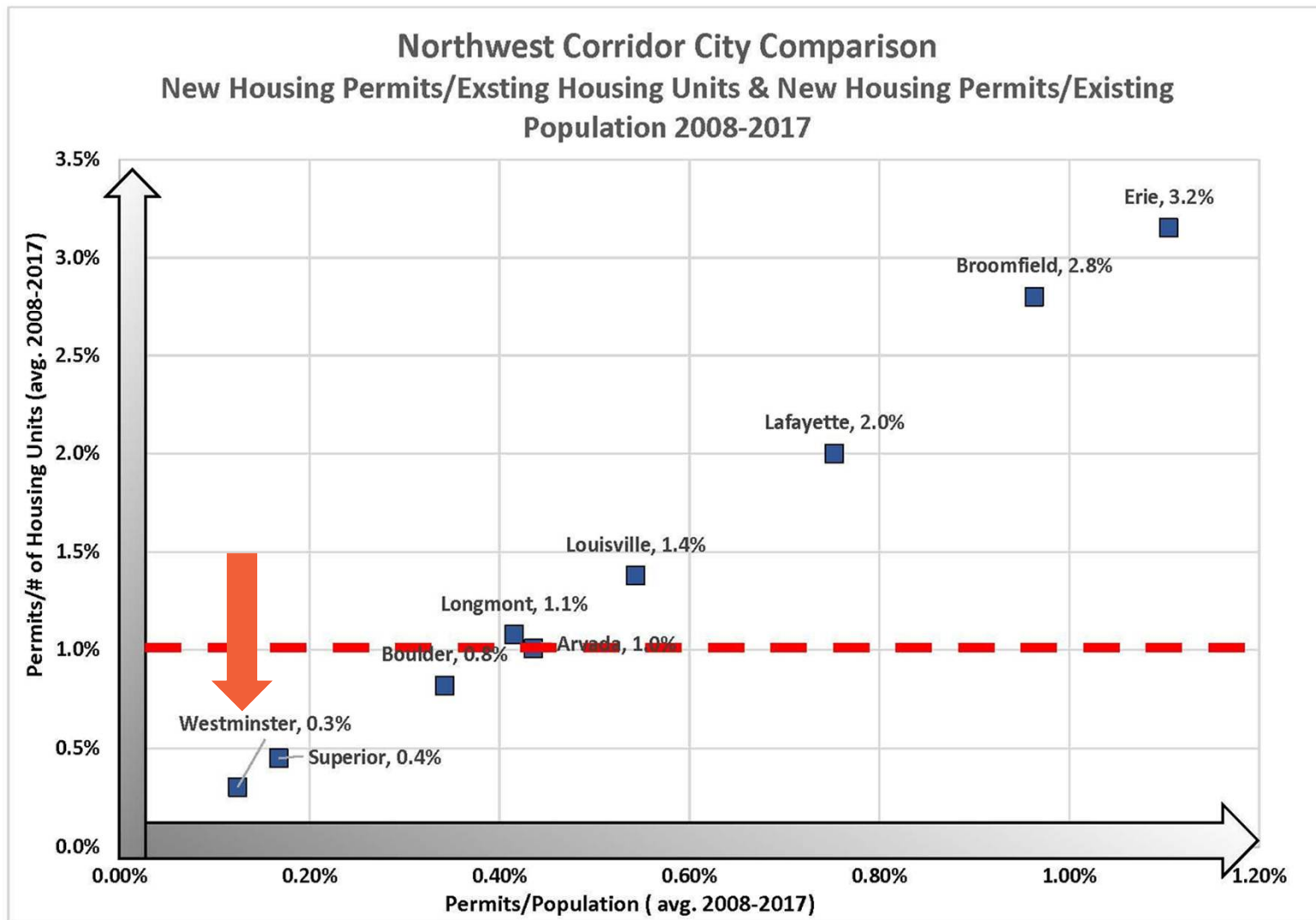
Source: www.missingmiddlehousing.com

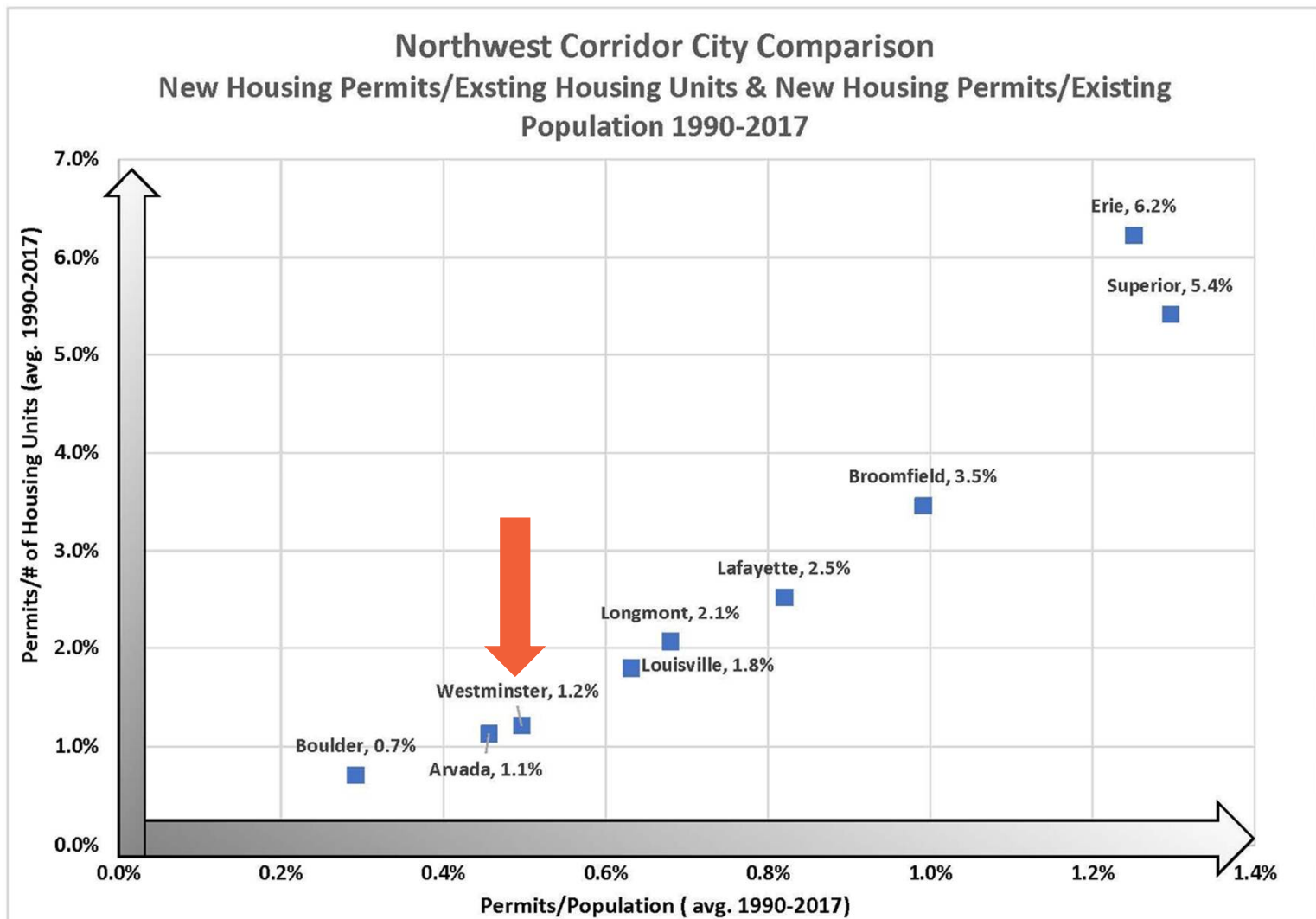
“If you can’t have residential growth, you can’t have business. People don’t look at bringing you a corporate headquarters because they don’t have anywhere to live...

If you cap growth in the place that gives you 86% of your tax base (as the proposed statewide growth initiative would), what are you going to do to the business of that area? You’re going to kill it.”

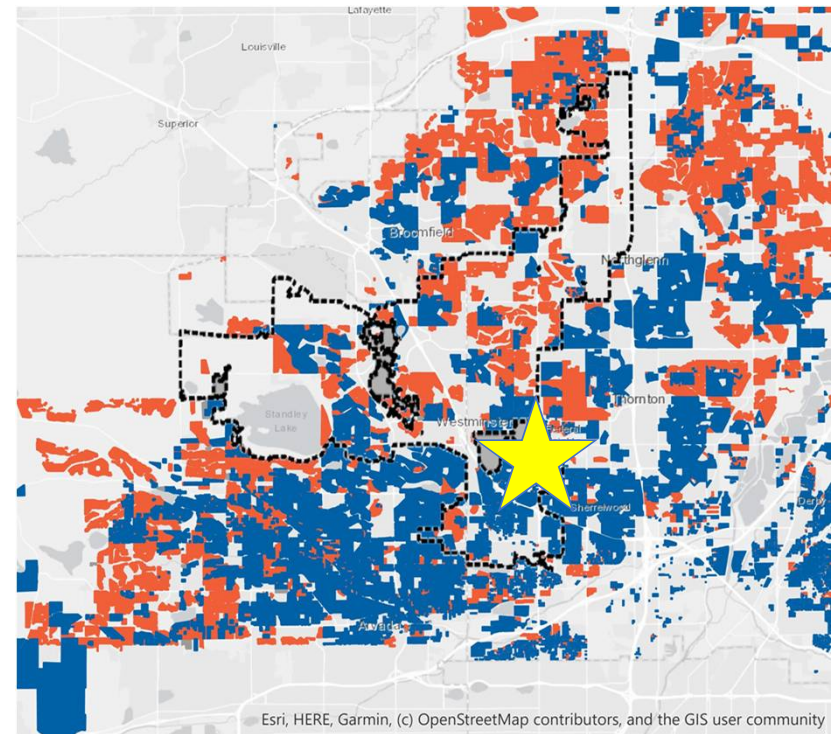
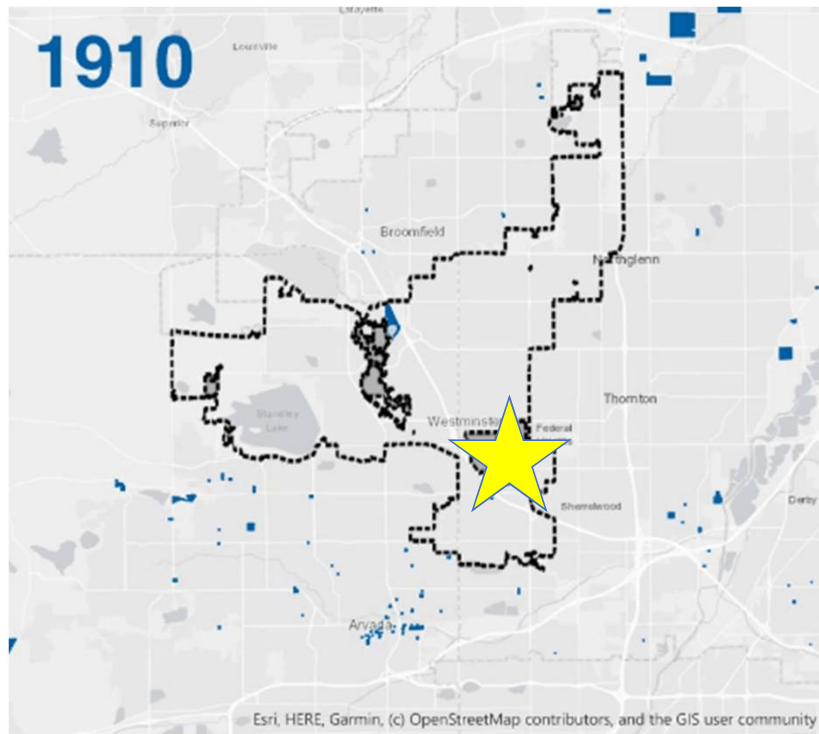
Mayor Herb Atchison, Denver Business Journal, November 20, 2019







City of Westminster - History of Residential Development

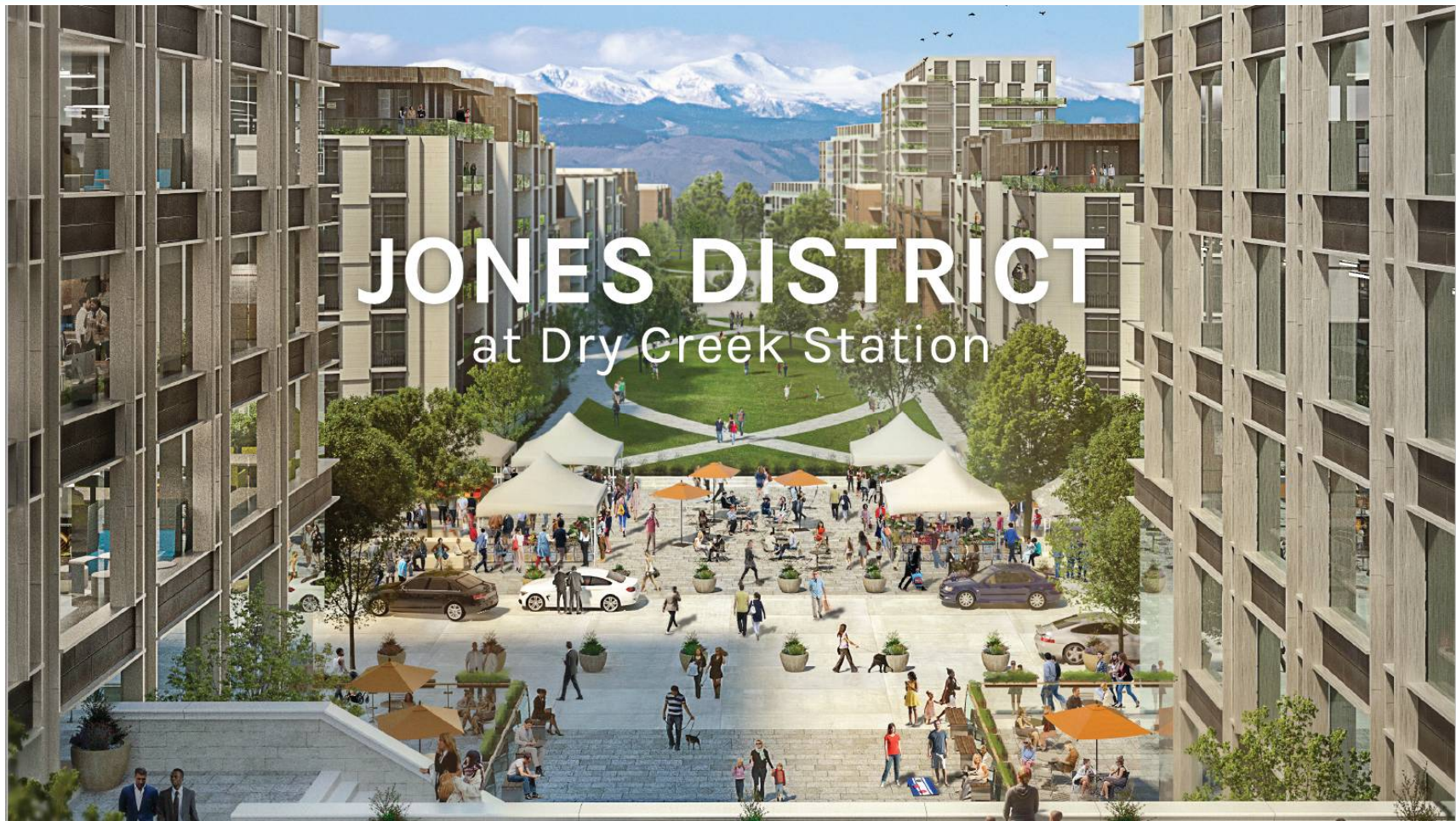




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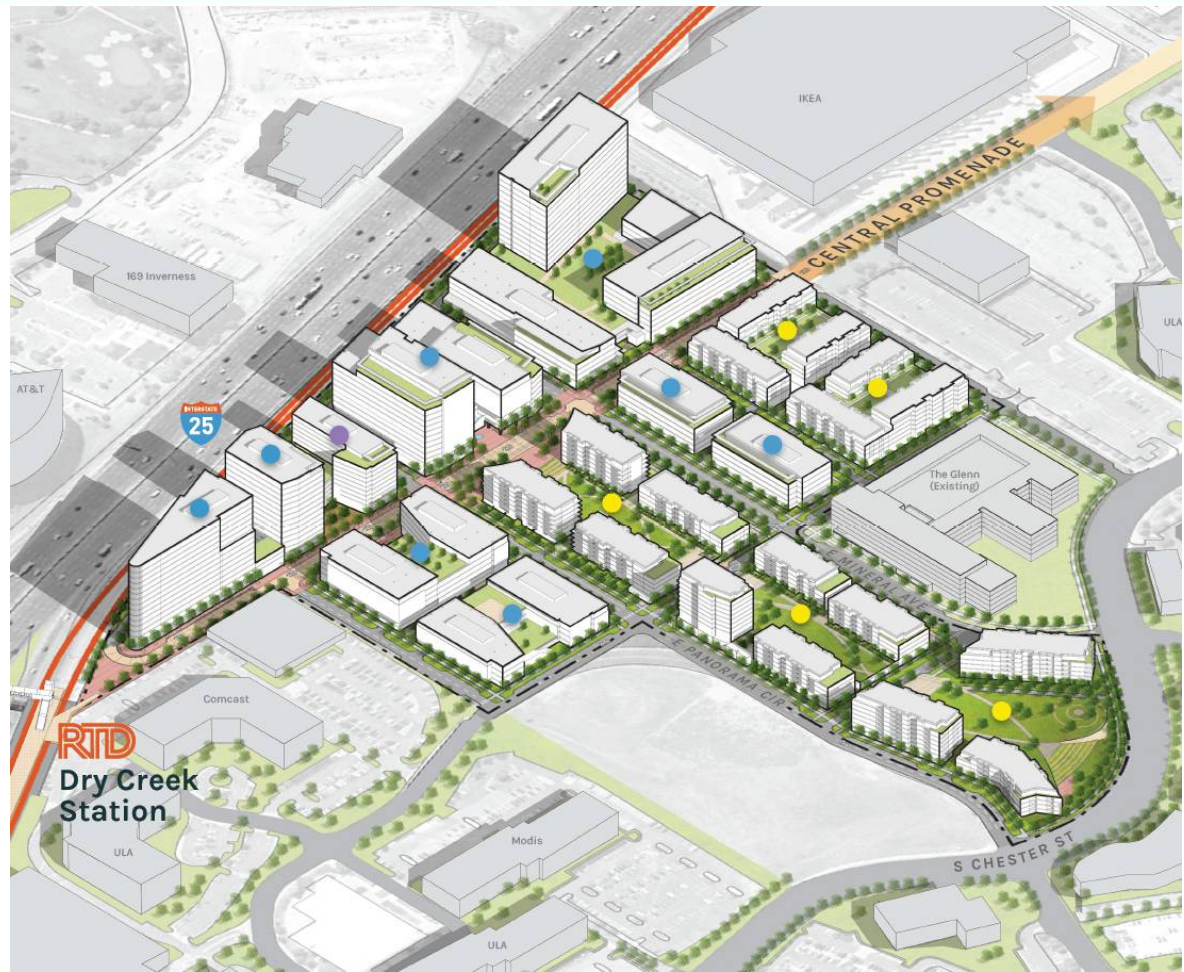
Project Description

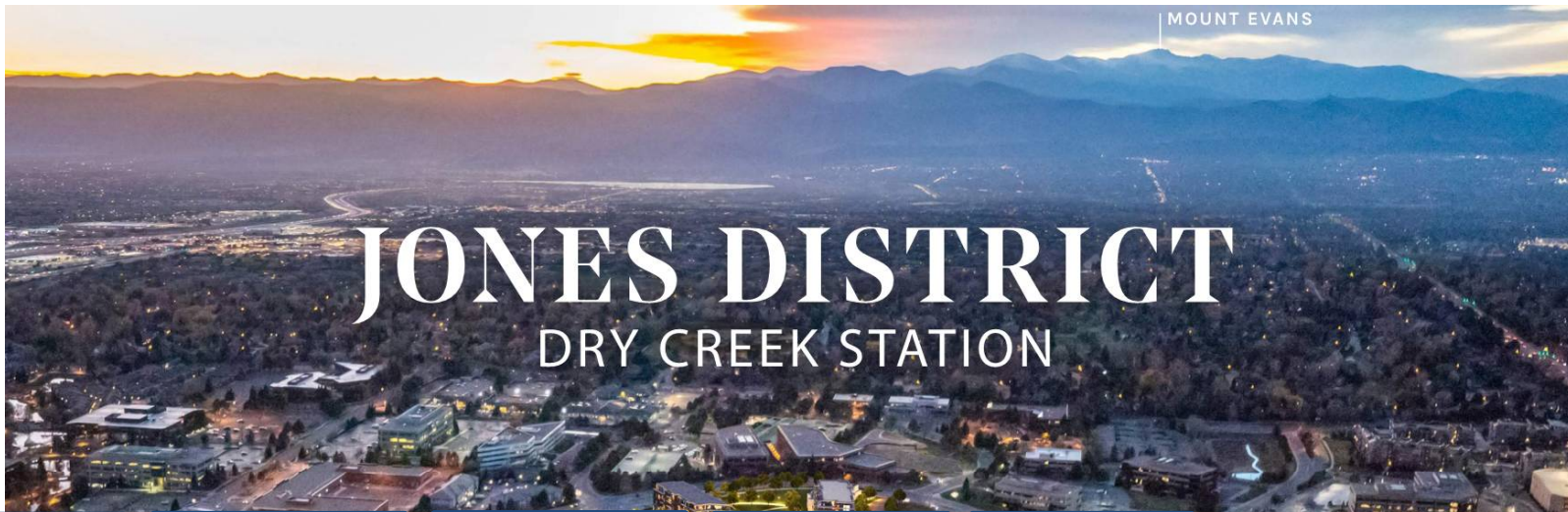
- Office
2.8M SF
- Retail
44,520 SF
- Hotel
200 rooms
- Residential
1,806 units
- 44 acres



Project Investments

- \$1.5 – \$1.8 BILLION in private development
- \$40 – 50 MILLION in public improvements
- \$10.5 – 13.5 MILLION in construction use tax revenues





**New Vision
Presentation
to Council**

**Regulating
Plan Formal
Submittal**

**Urban Center
Zone District
Amendments**

**Regulating
Plan &
Agreements
Approved**

**Metro
District
Review**

**Metro
District
Elections**

**Jones District
Construction**

**December
2018**

**November
2019**

**February
2020**

**May
2020**

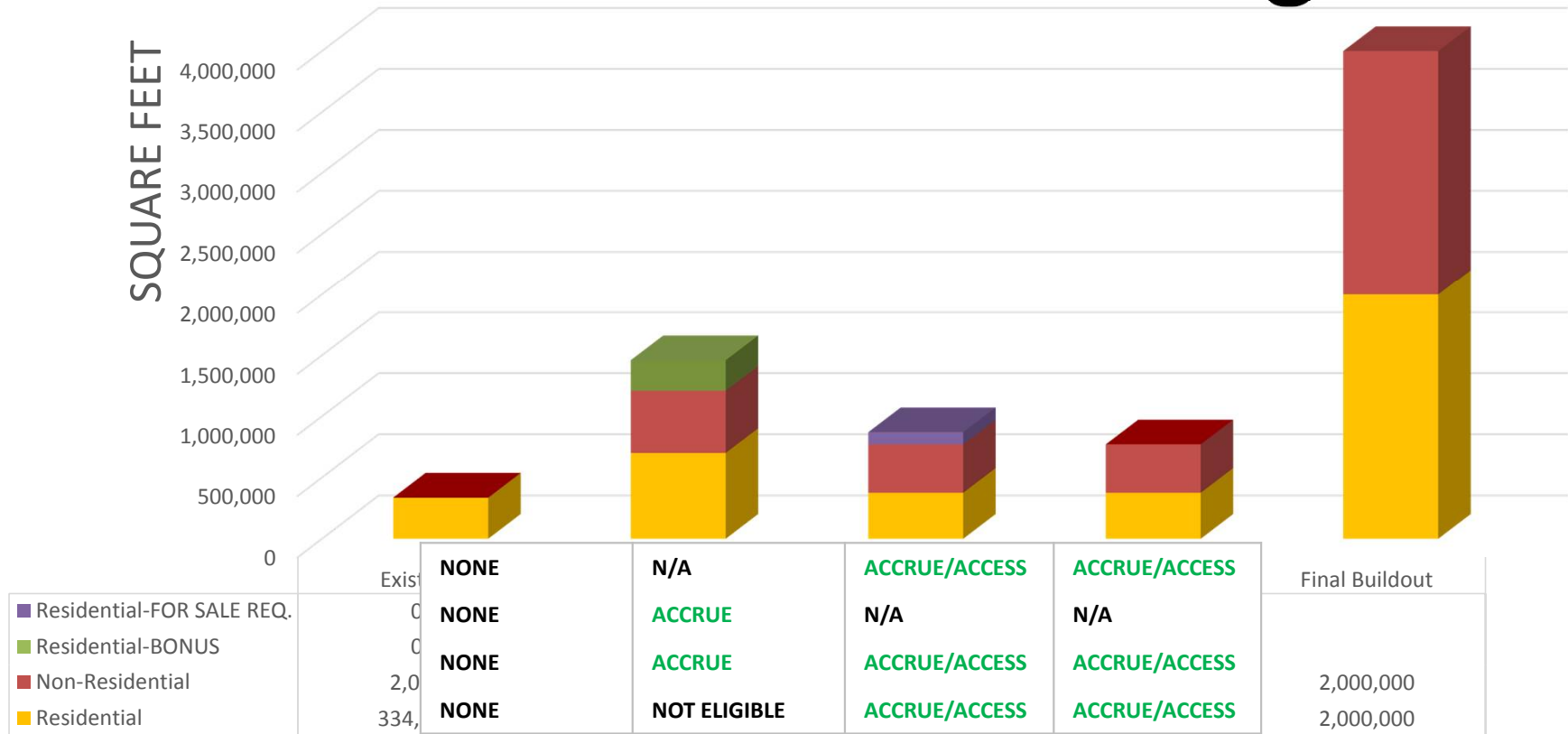
**Late
2020**

Incentive Agreement General Terms

- Construction use tax rebate
- Reimbursement for eligible public-related improvements
- \$9.5 million maximum reimbursement
- Escrow-model: accrue and access

JONES DISTRICT DEVELOPMENT PHASING

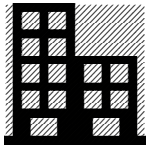
Reimbursement Phasing



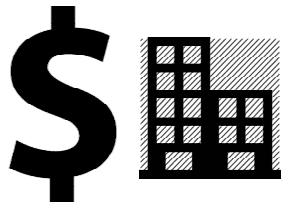
Use Tax Reimbursement



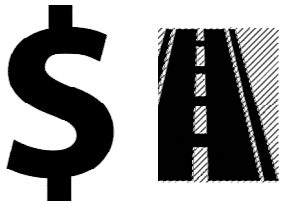
Project/metro district builds public improvements to serve future development



Buildings are developed



City collects revenue on value of buildings



City uses taxes collected to reimburse for a portion of cost of public improvements

Urban Center (UC) Zoning and Regulating Plan Amendments

- Increase residential percentage (20% - 50%)
- Reconfigure public space (pedestrian plaza)
- Adjust building height, frontage, block dimensions and parking typologies
- Addition of street typologies (enhanced bike and pedestrian facilities)



Metro District Provisions

Maximum Combined Debt	\$80 million
Maximum Debt Mill Levy	40 mills
Maximum Mill Levy (Debt and Ops.)	45 mills
Sales Public Improvement Fee	1.0%
Lodging Public Improvement Fee	2.5%

Thank you!

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TRYBA ARCHITECTS

QUESTIONS?

Urban Renewal

Urban Renewal

C.R.S. § 31-25-101 et seq.

Purpose: eliminate slum and blight



Not:

- job creation
- economic development
- increase tax revenue



BUT . . .

Elimination of slum and blight through redevelopment almost always results in:

- job creation
- economic development
- increased tax revenue

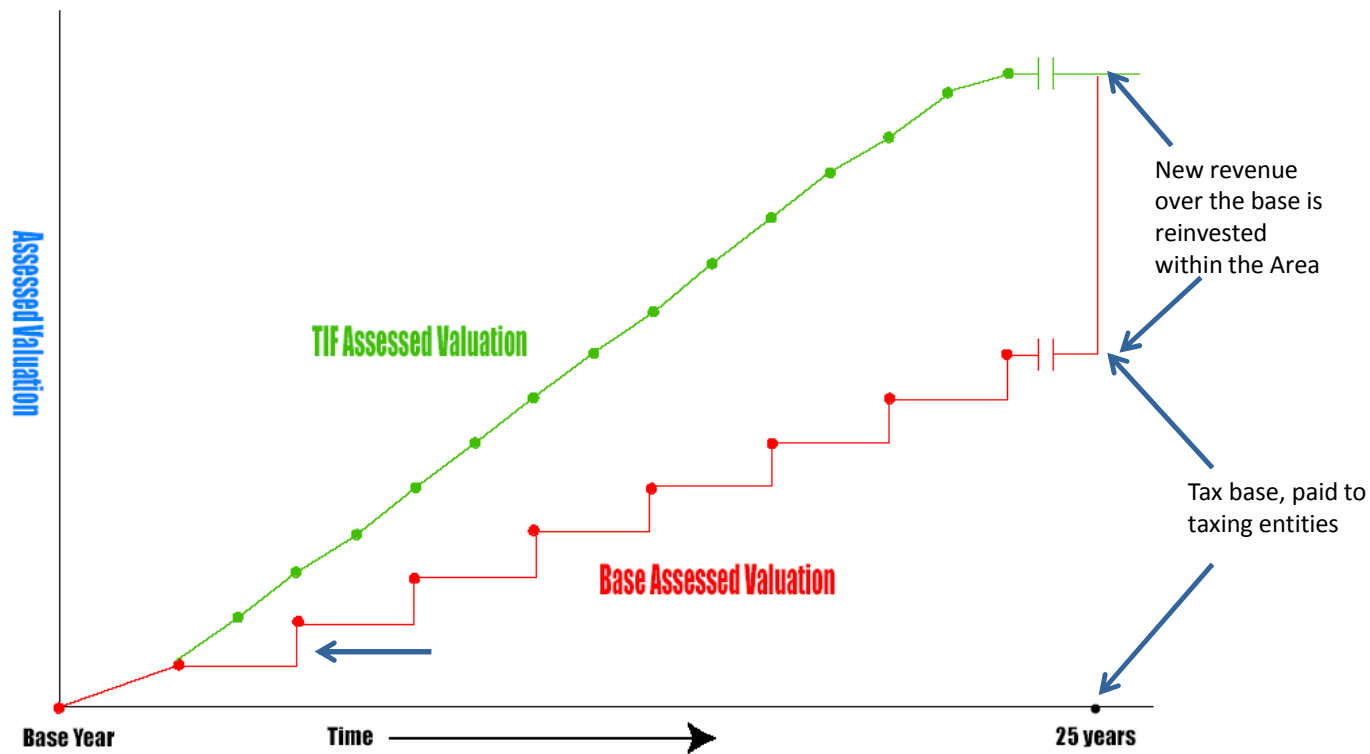


What is Tax Increment Financing (TIF)?

- TIF can be sales, property, use and/or lodging tax (*sometimes*)
- When a Plan is adopted the tax base for that Urban Renewal Area is established
- The existing taxing authorities continue to receive that base amount for the next 25 years
- If tax revenues increase over the base amount, the Urban Renewal Authority receives that incremental revenue

How is TIF Calculated?

TIF CHART



Tax Increment Financing

