



Loveland Urban Renewal Authority

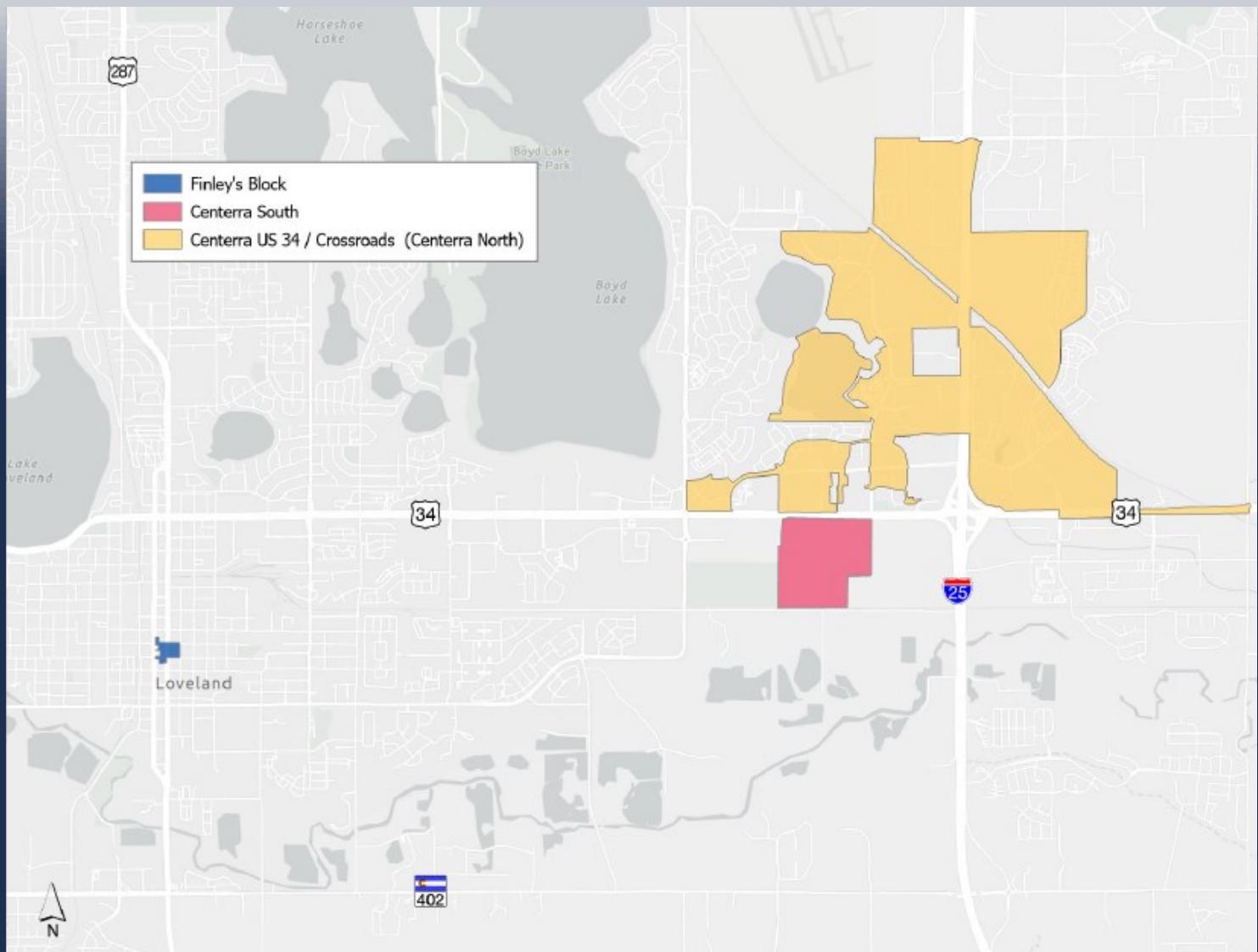
2023 REPORT

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Loveland Urban Renewal Map



Note: Downtown Urban Renewal Area Dissolved April 2023

Transmittal Letter

October 7, 2024



Mr. Rod Wensing, Acting City Manager
City of Loveland
Loveland, CO

Dear Mr. Wensing:

In the following pages of this report is the Finance Department's assertion on the contract compliance review of the Urban Renewal Authority's Plan areas, including the US34/Crossroads Corridor (also known as "Centerra North") and Centerra South, which meets the requirements of the master financing agreements between the Urban Renewal Areas and the City of Loveland. The review period was for January 1, 2023 to December 31, 2023.

The purpose of this annual review is to determine whether the Urban Renewal Areas complied with the administrative conditions regarding expenses, contracts, revenue collections, and reporting as required in the financing agreements.

At the conclusion of the review, we found no instances of non-compliance. If you have any questions, please contact me at 970-962-2311.

Sincerely,

Jeff Miller
Senior Accountant
City of Loveland

Background, Scope, Objective & Methodology

Background

Loveland Urban Renewal Authority (LURA) was established by the City Council in July 2002. LURA is responsible for conducting urban revitalization activities in designated project areas and is charged with rehabilitating blighted areas. The LURA has three project areas that were reviewed for the 2023 time period: Downtown Loveland, US 34/Crossroads Corridor, Expanded Finley's Addition Project Area and Centerra South.

Downtown Loveland URA

The Downtown Loveland project does not have an active agreement which stipulates conditions required for financing. During the time period under audit, the Downtown Loveland project did not incur activities that require compliance according to the Master Financing Agreements. At the April 18, 2023, City Council meeting, it was resolved that the Downtown URA be terminated.

US 34-Crossroads Corridor URA (aka Centerra North)

The US34/Crossroads Corridor Urban Renewal Plan was established on January 20, 2004, to manage funds associated with US 34/Crossroads Corridor Area. The purpose of the plan agreements are to facilitate and construct local and regional improvements that qualify as public improvements (defined as metropolitan district improvements).

These improvements are financed through bonds and developer advances. The City of Loveland agreed to a sales tax collection credit of 1.25%, meaning the city only collects 1.75% of its 3% sales tax in the area. The City also agreed to a Public Improvement Fee (PIF) of 1.25% to the developer at Centerra, so long as the District Mill Levy is greater than the minimum of 35 mills. The 1.25% PIF is collected by the City on behalf of a Public Improvement Collection Corporation (PIC). The City also granted certain credits and deferrals for development fees. According to the Financing Agreement, the Developer received a credit of \$423,600 for Water System Impact Fee and \$7,374,800 for Street Capital Expansion Fees over the life of the agreement to date.

Finley Block URA

On April 26, 2005, the City and LURA approved a minor modification to remove the Project Site (541 N. Lincoln and other specified properties) from the Downtown Plan Area and creating Block 41- Finley's Addition. The Lincoln Place Metropolitan District was established for the project Block 41-Finley's Addition. The district dissolved on February 20, 2007.

Background, Scope, Objective & Methodology

In January 2013, Council approved modification to the Block 41-Finley's Addition Urban Renewal Plan and Plan area to include 541 N. Lincoln Avenue (formerly the Home State Bank building) and other properties. This would permit LURA to retain incremental tax revenue from sales taxes in addition to property taxes, in order to assist with the financing of the Brinkman/North Catalyst project (541 N. Lincoln Avenue). Block 41-Finley's Addition Urban Renewal Plan is now referred to as the "Expanded Finley's Addition Plan Area".

Centerra South URA

The Centerra South Development, Inc. was established on June 8, 2023, to manage funds associated with Centerra South Urban Renewal Plan Area. The purpose of the District is to acquire and construct local and regional improvements that qualify as metropolitan district public improvements.

These improvements are financed through bonds and developer advances. The City of Loveland agreed to a sales tax collection credit of 1.25%, meaning the city only collects 1.75% of its 3% sales tax in the area. The City also agreed to a Public Improvement Fee (PIF) of 1.25% to the developer at Centerra. The 1.25% PIF is collected by the City on behalf of the Public Improvement Collection Corporation (PIC).

Scope

Our review of US34/Crossroads Corridor Urban Renewal Plan (a.k.a. Centerra North) and Centerra South Urban Renewal Plan, was for the period January 1, 2023 to December 31, 2023. The scope of our review was limited to determining compliance with the financing agreements between the City and each of the aforementioned Urban Renewal Plan Areas, per Section 8.4 of the Centerra Master Financing and Intergovernmental Agreement.

Objective

The objective of our review was to determine if Centerra North and Centerra South complied with the administrative requirement for revenue collections, distribution of funds, contract negotiations, payment of appropriate taxes and fees, and adequate accounting records and reports in accordance with their respective master financing agreements. (Section 8.4)

Background, Scope, Objective & Methodology

Methodology

Consistent with prior years, the following evidence gathering and analytical approaches were used to achieve the review objectives, including but not limited to:

- Interviews with City and District staff;
- Traced contracts through awarding process;
- Traced projects through notification process;
- Vouched disbursements to appropriate documentation; and,
- Review of financial statements.



Photo Credit: Richard DeVore

Compliance Report

Downtown Project (No Master Financing Agreement)

The Downtown Project does not have any active outstanding debt agreements. As of December 31, 2023, the project collected \$660,147 in tax increment financing (property tax) which is held in a cash account. The sales tax base within the project area is \$1,280,253; which was the annual sales tax at the time LURA was established. During the 2023 review period, \$207,658 were expended on qualified expenditures. At the April 18, 2023 City Council meeting, it was resolved that the Downtown URA be terminated.

Expanded Finley Addition Plan Area (No Master Financing Agreement)

Finley Block is a three-block area in downtown Loveland consisting of Gallery Flats and Lincoln Place mixed use buildings, the old Larimer County building, the museum and a parking lot. The Finley Block is currently repaying two interfund loans that will be paid in full in 2027. Council and the LURA Board authorized the Lincoln Place developer to dissolve the metro district associated with the project in February, 2007. Lincoln Place was sold to Wolff Loveland Apartment LLC in 2010.

Cleveland Station Project (No Master Financing Agreement)

In November of 2021, LURA entered into a financing agreement for \$800,000 for the Cleveland Station Project and \$200,000 for other downtown projects. An interest in tax increment revenues received from the Cleveland Station project and other qualifying projects was pledged as collateral for the agreement. The property tax rate and the sales tax base on the property will be \$-0-. The loan has a 12 year pay back at the interest rate of 3.26%. Interest in the amount of \$32,600 was paid in 2023. Per the schedule, loan principal payments begin in 2024.

Centerra - US 34/Crossroads Corridor (Includes Master Finance Agreement)

MFA Provisions Include:

A Public Improvement Fee of 1.25% of sales is collected for the benefit of the developer at Centerra, so long as the 1.25% PIF is collected by the Public Improvement Collection Corporation .

PIF shall be distributed as follows:

- a. Administrative expenses.
- b. District debt.
- c. Debt service district reserve.
- d. Constructor and/or development fees for expenses that qualify as local and /or regional improvements.
- e. Special Improvement District Debt incurred after 2003.
- f. Centerra Public Improvement Collection Corporation (PIC) Reserve Fund, not to exceed \$1 million.
- g. Remaining funds disbursed to the Service District.

How Conditions Were Met:

- ✓ Performance Results As of December 31, 2023:
- ✓ For 2023, PIF collections were received by the City as the designated receiving entity and remitted to Centerra. The mill levy was set to 62.0 mills per the Larimer County Assessor.
- ✓ (a) For 2023, there were \$48,538 of administrative expenses paid from PIF funds.
- ✓ (b) Payments on District debt during 2023 total \$17,632,537.
- ✓ (c) District reserved \$27,722,169 in fund balance which is restricted for debt service repayments.
- ✓ (d&e) In 2023, the PIC has spent \$2,529,185 on Constructor Reimbursements.
- ✓ (f&g) The District did not disburse funds in 2023 to the Service District. The MFA specifies that “the PIC may retain such amount, not to exceed \$1,000,000 as may be Reasonably determined by the PIC Board”, the PIC reserve did not exceed \$1 million. In addition to the review of this transaction, the audit included a review of PIC expenses. A random sample of 3 disbursements were audited, noting no exceptions.

Compliance Report continued...

All development fees and use tax not specifically deferred or credited will be paid by the contractor

- ✓ Use tax and fees are audited by the City of Loveland Revenue Division. All use tax audits are current on occupied retail businesses within the Centerra project area.

Construction contracts after January 20, 2004, shall comply with the procurement policy, except the general contractor. This includes but is not limited to:

- Invitation for bids published 14 days prior to bid date and published in 4 local newspapers;
- Bids are open to the public;
- Contract shall be awarded to the *lowest responsible bidder*; and,
- The bids are properly prepared with applicable information.

Construction request for payment must include:

- Itemized statement of costs and expenses;
- Signed certificate from development company president affirming statement is correct; and,
- Documentation of reimbursable expenses.

Contractors must maintain proper books and account for costs, expenses, development fees, and be available for inspection for the next seven years.

- ✓ During 2023, the District had eight projects that required a bidding process that was over the statutory minimum. The District met the bidding requirements for each project selected.

Annual audit shall be performed and a copy provided to the City within 30 days after the annual audit is accepted by the District board.

- ✓ A random sample of 9 accounts payable checks revealed no material exceptions. Each transaction tested had an itemized statement of costs and expenses. Reimbursable expenses were documented in detail.

Regional improvements must be approved by the City Manager, required to be constructed by CDOT, the IGA, or the City as a precondition of construction.

- ✓ During the review, the contractor affirmed that all contract files are current.

Annually on June 30th, after the First District Debt and Second District Debt payments are made, the payment for the Regional Allocation is made to the LURA.

- ✓ The third party independent audit report, as prepared by Haynie & Company, and dated August 23, 2024, has been issued with an unqualified opinion and was received by the City on September 12, 2024.

The District shall submit an annual report to the City no later than March 1st of each year of existence.

- ✓ Loveland City Council approved the eighth amendment to the Centerra MFA and intergovernmental agreement on May 16, 2023 for the purpose of removing that certain parcel of land encompassing Centerra South Metropolitan District Nos. 1-3, from the Modified URA Plan Area and from the terms of the MFA..

- ✓ The project's initial finance plan anticipated the first Regional Allocation to be funded in the year 2013, once the supplemental debt reserve is funded to \$18 million by net annual revenues; to date, the second district debt and debt reserve have not been funded and no updated estimates have been performed.

- ✓ The annual report for the district was received by the City on February 21, 2024.

Compliance Report continued...

Centerra South (Includes Master Finance Agreement)

The Centerra South Project does not have any active outstanding debt agreements. As of December 31, 2023, the project collected no tax increment financing (property tax). The property tax base within the project area is \$73,641; which was the property tax base at the time LURA was established.

MFA Provisions Include:

A Public Improvement Fee of 1.25% of sales is collected for the benefit of the developer at Centerra, so long as the 1.25% PIF is collected by the Public Improvement Collection Corporation .

PIF shall be distributed as follows:

- a. Administrative expenses.
- b. District debt.
- c. Debt service district reserve.
- d. Constructor and/or development fees for expenses that qualify as local and /or regional improvements.
- e. Special Improvement District Debt incurred after 2023.
- f. Centerra Public Improvement Collection Corporation (PIC) Reserve Fund, not to exceed \$1 million.
- g. Remaining funds disbursed to the Service District.

How Conditions Were Met:

Performance Results As of December 31, 2023:

For 2023, there were no PIF collections.

Compliance Report continued...

Centerra South- Continued,

All development fees and use tax not specifically deferred or credited will be paid by the contractor.

Construction contracts after June 8, 2023, shall comply with the procurement policy, except the general contractor. This includes but is not limited to:

- Invitation for bids published 14 days prior to bid date and published in 4 local newspapers;
- Bids are open to the public;
- Contract shall be awarded to the *lowest responsible bidder*; and,
- The bids are properly prepared with applicable information.

Construction requests for payment must include:

- Itemized statement of costs and expenses;
- Signed certificate from development company president affirming statement is correct; and,
- Documentation of reimbursable expenses.

Contractors must maintain proper books and account for costs, expenses, development fees, and be available for inspection for the next seven years.

Annual audit shall be performed and a copy provided to the City within 30 days after the annual audit is accepted by the District board.

Regional improvements must be approved by the City Manager, required to be constructed by CDOT, the IGA, or the City as a precondition of construction.

The Centerra South Metropolitan Districts 1-3 shall submit an annual report to the City no later than March 1st of each year of existence, as per the Centerra South Metro Dist. Service Plan.

There were no construction contracts issued in 2023.

No annual audit was required for 2023.

There were no regional improvements for 2023.

An annual report for the District was not required for 2023.

LURA Financial Statements

Financial Statements Overview

The Loveland Urban Renewal Authority Fund (LURA Fund) is considered for accounting purposes to be a component unit of the City. The last complete year for financial reporting purposes is 2023 and the statements below reflect that fiscal year. The Finance Department anticipates that this report will be updated by September of each year and forwarded to the Board of Directors for the LURA.

Loveland Urban Renewal Authority
Statement of Revenues, Expenditures and Changes in Fund Balance
As of: December 31, 2023

	PROJECT AREAS					
	<u>Centerra</u>					
	<u>Centerra</u>	<u>School</u>	<u>Downtown</u>	<u>Expanded</u>	<u>Cleveland</u>	<u>Total</u>
REVENUES						
Taxes	\$ 19,703,483	\$ -	\$ 660,147	\$ 368,932	\$ 71,750	\$ 20,804,312
Lease Revenue			10,000			10,000
Interest on Investments	69	77,798	31,704	29,809	2,176	141,556
TOTAL REVENUES	19,703,552	77,798	701,851	398,741	73,926	20,955,868
EXPENDITURES						
Services	51,637		62,214		133,553	247,404
School District Fund	2,447,798					2,447,798
Capital Outlay			145,444			145,444
Debt Service				39,590	32,600	72,190
Distribution on Tax						
Increment Financing	17,205,685					17,205,685
TOTAL EXPENDITURES	19,705,120	-	207,658	39,590	166,153	20,118,521
Excess of Revenues over Expenditures	(1,568)	77,798	494,193	359,151	(92,227)	929,574
Fund Balance-Beginning	22,380	352,840	1,786,077	1,469,317	305,725	3,936,339
Fund Balance-Ending	\$ 20,812	\$ 430,638	\$ 2,280,270	\$ 1,828,468	\$ 213,498	\$ 4,773,686

The accompanying notes are an integral part of the financial statements.

LURA Financial Statements continued...

Loveland Urban Renewal Authority

Balance Sheet

As of: December 31, 2023

PROJECT AREAS						
	<u>Centerra</u>		<u>Expanded</u>		<u>Cleveland</u>	
	<u>Centerra</u>	<u>School</u>	<u>Downtown</u>	<u>Finley</u>	<u>Station</u>	<u>Total</u>
ASSETS						
Equity in Pooled						
Cash and Investments	\$ 20,812	\$ 3,857,995	\$ 2,273,217	\$ 2,373,491	\$ 61,051	\$ 8,586,566
Equity in Restricted						
Cash					152,403	152,403
Accrued Interest	-	17,701	7,284	6,504	44	31,533
Miscellaneous Receivable			15,270	519,541		534,811
Taxes Receivable	21,634,526		-	457,165		22,091,691
TOTAL ASSETS	21,655,338	3,875,696	2,295,771	3,356,701	213,498	31,397,004
LIABILITIES						
Accounts Payable			15,501			15,501
School Increment		3,445,058				3,445,058
Interfund Loan Payable				1,071,068		1,071,068
Deferred Revenue	21,634,526		-	457,165		22,091,691
TOTAL LIABILITIES	21,634,526	3,445,058	15,501	1,528,233		26,623,318
FUND BALANCE						
Unreserved	20,812	430,638	2,280,270	1,828,468	213,498	4,773,686
TOTAL LIABILITIES AND FUND BALANCE	\$21,655,338	\$ 3,875,696	\$ 2,295,771	\$ 3,356,701	\$ 213,498	\$31,397,004

The accompanying notes are an integral part of the financial statements.

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies

The Loveland Urban Renewal Authority (LURA) was created in 2002 by the City of Loveland (the "City") pursuant to the Urban Renewal Law of the State of Colorado. LURA was created for the development, redevelopment and rehabilitation of identified blighted areas within the City. The Loveland City Council serves as the governing board of LURA.

Since 2002, the City Council has established three urban renewal areas. Downtown Loveland was the original focus of LURA and the location of its first project area. Since that first project area in 2002, LURA has added two additional project areas – one at the City's eastern boundary, U.S. 34/Crossroads Boulevard Corridor, aka Centerra and a second downtown area, the Expanded Finley Addition Plan Area. The 25-year urban renewal plan is intended to enhance, redevelop, and revitalize these areas.

The accounting policies of LURA conform to generally accepted accounting principles as applicable to governments. However, to date, LURA has had minimal financial transactions. Therefore, some of the financial statements and related data normally included in a governmental financial report are not meaningful at this time. The following is a summary of the more significant policies.

Reporting Entity

In accordance with governmental accounting standards, LURA has considered the possibility of inclusion of additional entities in its financial statements.

The definition of the reporting entity is based primarily on financial accountability. LURA is financially accountable for organizations that make up its legal entity. It is also financially accountable for legally separate organizations if the Authority officials appoint a voting majority of the organization's governing body and is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on LURA. LURA may also be financially accountable for organizations that are fiscally dependent upon it.

Based on the application of the above criteria, LURA does not include additional organizations in its reporting entity. For financial reporting purposes, LURA is a component unit of the City.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, LURA considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

Property taxes and investment earnings associated with the current fiscal period are considered to be susceptible to accrual and so have been recognized as revenues in the current fiscal period. Expenditures are generally recorded when a liability is incurred.

Notes to Financial Statements

continued...

Cash and Investments

LURA's cash and investments are pooled with those of the City. Investments are recorded at fair value. Because the investments are part of a pool, the underlying securities cannot be determined.

Incremental Taxes

As allowed by State statute, LURA will receive revenue from incremental sales and property taxes that are collected only from the designated geographical areas as defined in the urban renewal plans for the Downtown and Expanded Finley's Addition Plan Area and incremental property taxes from the designated geographical area as defined in the US 34/Crossroads Corridor. Incremental sales taxes represent the increase in municipal sales taxes collected within the same area for each 12-month period beginning on the date the urban renewal plan is approved. Property tax revenue is earned from the geographical areas based upon the increase in assessed valuation of taxable property within the area. Sales taxes are collected by the City and remitted to LURA.

Property Taxes

Property taxes attach as an enforceable lien on property on January 1 and are levied on November 1. Taxes are payable in full on April 30 or in two installments on February 28 and June 15. Property taxes will be collected by the Larimer County Treasurer and remitted to LURA on a monthly basis.

Note 2: Commitments and Contingencies

Economic Development Agreements

Once tax increment revenues became available for the US 34/Crossroads Corridor and Expanded Finley's Addition Plan Area, LURA agreed to remit the related revenues to organizations formed to construct improvements within the projects areas. Incremental property taxes generated from the US 34/Crossroads Corridor will be remitted to the Centerra Metropolitan District No 1. Incremental property taxes within the Expanded Finley Addition Plan Area was remitted to the developer and the agreement was fully paid in 2014.

The Centerra School Fund (School Fund), established by the Master Financing Agreement, denotes that LURA collects the school increment on behalf of the School District and the increment is deposited into a School Fund. Distributions from the School Fund are made by LURA upon written request with approval by the Centerra Metropolitan District and LURA. The sole purpose of the reimbursement is for costs, expenses and/or indebtedness incurred for the construction of schools within the URA boundaries. The reimbursement is not for the purpose of paying school administrative or instructional expenses. There were three reimbursements in 2023 for a total of \$4,903,313.33.

TABOR Amendment

In November, 1992, Colorado voters passed Article X, Section 20 to the State Constitution, known as the TABOR Amendment, which limits government tax powers and imposes spending limits. LURA is not subject to the TABOR Amendment. See: *Marian L. Olson v. City of Golden, et. al.* 53 P.3d 747 (Co App.), certiorari denied.

Report Completed By:

Jeff Miller, Senior Accountant

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City of Loveland, Colorado

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