Legislation Text

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Subject:
Discussion of options on repayment of LIFT debt to the City - PRESENTED TO COUNCIL ON 01/10/2017

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THIS STAFF COMMUNICATION IN IT'S ENTIRETY WAS PRESENTED TO CITY COUNCIL ON 01/10/2017 - THIS IS FOR INFORMATION PURPPOSES.

BACKGROUND:
At the December 6, 2016 regular meeting, city council voted to repeal three urban renewal plans, keeping only the Columbine Square Urban Renewal Plan intact. Council also approved retaining the city's urban renewal authority, Littleton Invests for Tomorrow (or LIFT), as the administrator of the remaining urban renewal plan.

The three urban renewal plans that were repealed were the Santa Fe, Littleton Boulevard and North Broadway plans. Council now needs to provide direction to LIFT pertaining to debt owed to the city and options on returning the property tax to the originating taxing entities for the repealed plan areas.

Staff has provided three attachments to this memo. The first reviews the available fund balances for LIFT. The second shows five options for repayment using LIFT's available fund balances. The third is the Cooperation and Loan Agreement between the city and LIFT, adopted December, 2014.

LIFT's available funds currently total $409,336; this includes $33,101 in the operational account and $376,326 collected in property tax and sales tax increment and associated interest.

Additionally, the city's finance department has revised the sales tax increment estimate for LIFT for 2016/2017 to $82,000. The $82,000 estimate is derived from the Columbine Square ($42K) and Littleton Boulevard ($40K) plans and not yet included in LIFT's available funds as noted above; however, these amounts are included in the repayment options mentioned below and provided as an attachment. Sales tax increment was generated from Littleton Boulevard through November 2016 prior to being repealed in early December, 2016. The plan area is estimated to have generated $40,000 in sales tax increment payable to LIFT in 2017.

STAFF ANALYSIS:
Staff has provided five options for council to recommend to LIFT to address the debt owed to the city and return property tax increment from the originating taxing entities (again, the options are detailed in an attached spreadsheet).

In each of the options staff has assumed the other taxing entities are kept whole (minus county assessor fees), meaning all of the property tax increment collected by LIFT in the three repealed plan areas will be returned to each entity on a pro rata basis. LIFT's 2017 adopted budget of $36,245 is built into each option. The first three options forego any refund of sales tax increment to the city as currently required in section 2.2 of the Loan agreement, which reads as follows:

> "Any Collected Tax Revenues not necessary or used to pay Obligations of the LIFT during the then current Fiscal Year shall be returned to the city by the end of the first calendar quarter following such Fiscal Year."

If council selects options 1, 2, or 3, staff recommends the loan agreement be revised to address this provision.

Option 1: Return property tax funds from the three repealed plan areas to the originating taxing entities and repay the entirety of LIFT's loan balance to the city.

Option 1 Explanation: This option addresses the obligations of LIFT entirely and results in about $41,949 available to fund the operations of LIFT in 2018 and thereafter. This is approximately one year of operating funds for LIFT. It is unlikely that the organization would be able to sustain itself beyond 2018, should Columbine Square be slow to redevelop.

Option 2: Return property tax funds from the three repealed plan areas to the originating taxing entities and repay three-quarters of the outstanding balance of the LIFT loan to the city.

Option 2 Explanation: In addition to returning the property tax increment to the originating taxing entities, this option apportions the LIFT debt equally to the four plan areas and pays-off three-quarters of the debt recognizing that three of the four plans have been repealed. This results in a loan balance of $37,797 going forward and approximately $79,746 at the end of 2017 from which LIFT could operate. The ability of LIFT to repay the remainder of the loan is uncertain.

Option 3: (Staff's recommendation) Return property tax funds from the three repealed plan areas to the originating taxing entities and repay $50,000 of the LIFT loan to the city.

Option 3 Explanation: This option addresses the return of property tax increment and paying-down $50,000 of the debt to the city in 2017. This results in a healthy $143,139 fund balance moving into 2018 with an outstanding loan balance of $101,190. This option allows LIFT to address any requirements associated with Columbine Square's redevelopment and allows for the debt to the city to be addressed over the next three years. Should council select this option, staff recommends revising the loan agreement to address section 2.2 (discussed earlier) and to require a future payment of $50,000 in 2018 with the remainder, $50,000 plus interest, due in 2019.

Option 4: Return property tax funds from the three repealed plan areas to the originating taxing entities and return all sales tax to the city per section 2.2 of the Loan Agreement (noted above), but does not address any payment from LIFT for the loan.

Option 4 Explanation: Per the agreement, LIFT has until December 16, 2019 to address the loan to the city and this option defers any payment of the loan to a future date, while addressing repayment of the property tax of the repealed plans and the return of sales tax increment funds to the city. Should this option be selected, LIFT is estimated to be left with $33,343 at the end of 2017. This may not be adequate to address the operations of LIFT should Columbine Square redevelop and for the loan to be addressed in the given timeframe.

Option 5: Return property tax funds from the three repealed plans to the originating taxing entities and return a portion of sales tax to the city per section 2.2 of the Loan Agreement (noted following), and entirely pay-off LIFT’s debt to the city.

Option 5 Explanation: Similar to option 4, but pays off the debt to the city, resulting in zero operational funds after 2017. If this option is selected, an additional loan will be required for LIFT to continue to operate past 2017.

STAFF RECOMMENDATION:

Staff recommends that council select option 3 to forward to LIFT. Additionally, staff recommends an amendment to the Cooperation and Loan Agreement to address and memorialize the agreed upon repayment to the property tax entities for the three repealed plan areas and a loan payment plan to the city of $50,000 in 2017, $50,000 in 2018, with the remainder due in 2019.