

Loveland Urban Renewal Authority

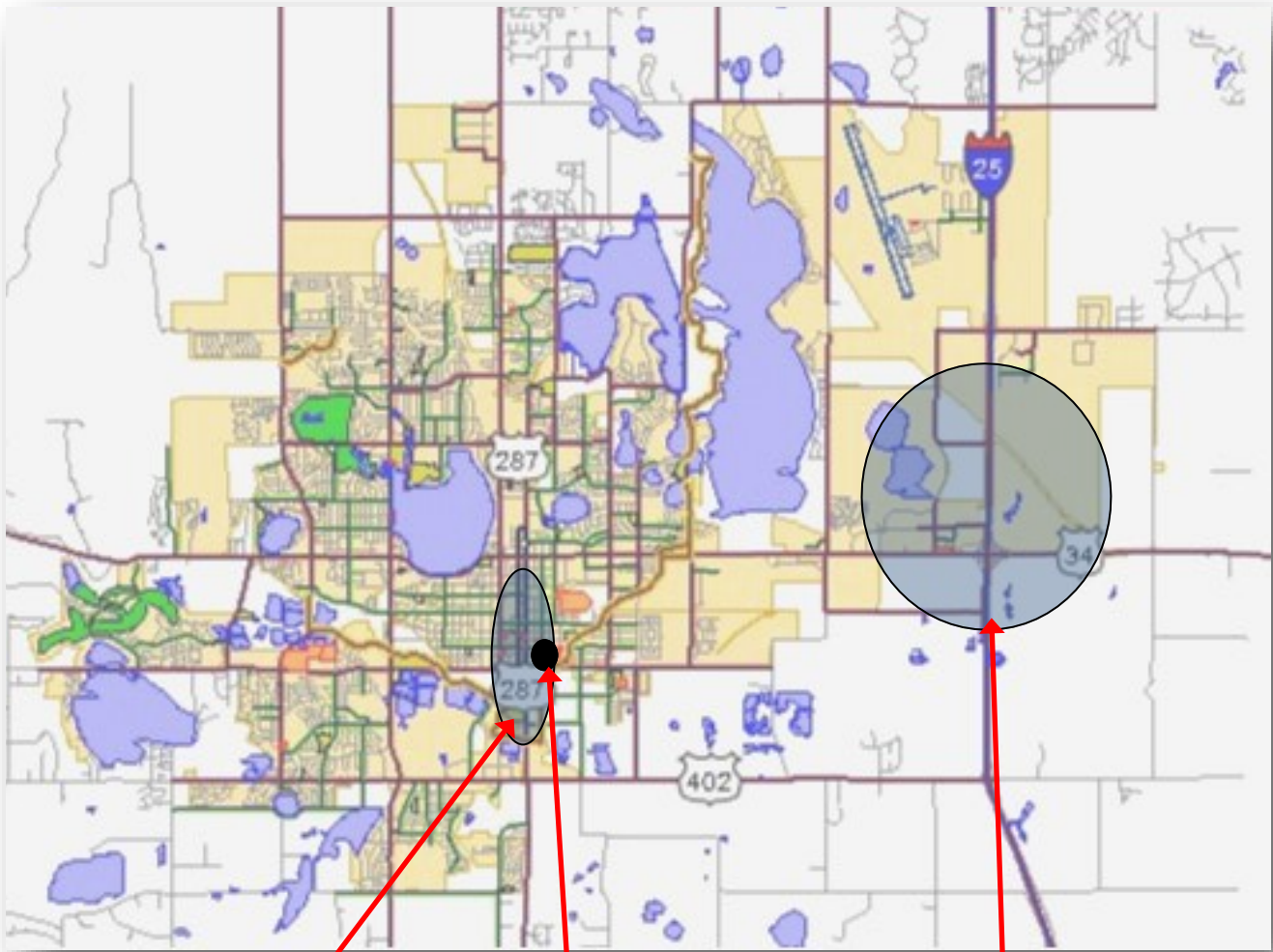
2022 REPORT



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Loveland Urban Renewal Map



Downtown

**Expanded Finley's
Addition and
Cleveland Station-
Plan Area**

**CENTERRA - US 34/
CROSSROADS
CORRIDOR**

Transmittal Letter

October 5, 2023



Mr. Stephen C. Adams, City Manager
City of Loveland
Loveland, CO

Dear Mr. Adams:

In the following pages of this report is the Finance Department's assertion on the contract compliance review of the Urban Renewal Authority (including Centerra Metropolitan District No. 1), with regards to the financing agreements between the Metropolitan Districts and the City of Loveland. The review period was for January 1, 2022 to December 31, 2022.

The purpose of this annual review is to determine whether the Metropolitan District 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 2022 time period: Downtown Loveland, US 34/Crossroads Corridor, and Expanded Finley's Addition Project Area.

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.

The Centerra Metropolitan District No. 1 was established on January 20, 2004, to manage funds associated with **US 34/Crossroads Corridor**. The purpose of the District is to acquire and construct local and regional improvements that qualify 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 the 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.

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.

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**. (see map on page 6)

Background, Scope, Objective & Methodology

Scope

Our review of the Centerra Metropolitan District No .1 was for the period January 1, 2022 to December 31, 2022. The scope of our review was limited to determining compliance with the financing agreements between the City and Centerra Metropolitan District No. 1.

Objective

The objective of our review was to determine if Centerra Metropolitan District No. 1 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 the financing agreements.

Methodology

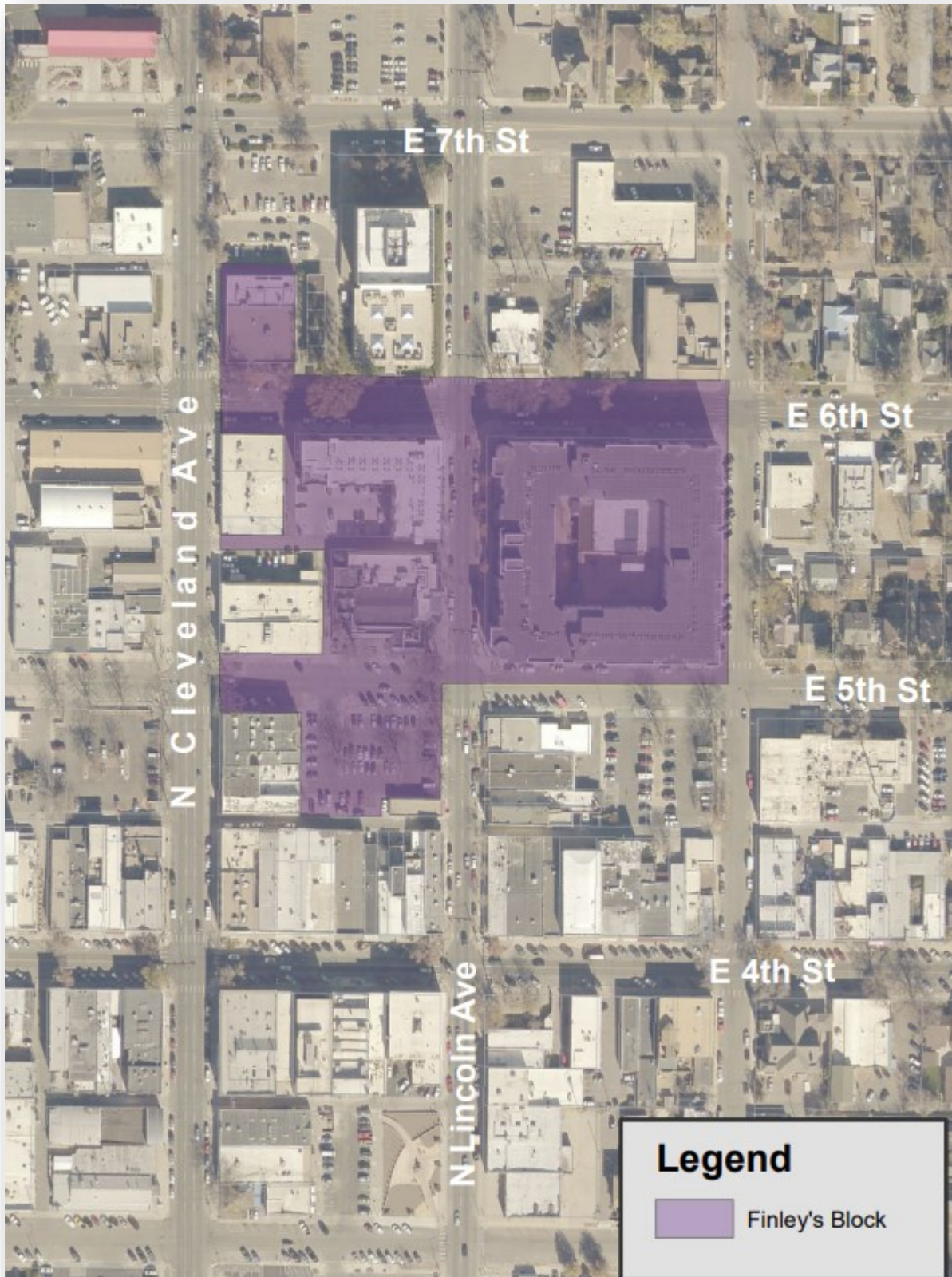
To meet the review objective the following evidence gathering and analytical approaches were used including, but not limited to:

- 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.



Background, Scope, Objective & Methodology

Expanded Finley's Addition Plan Area



Compliance Report

Downtown Project

The Downtown Project does not have any active outstanding debt agreements. As of December 31, 2022, the project collected 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 2022 review period, \$297,091 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

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

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 \$33,324 was paid in 2022. Per the schedule, loan principle payments begin in 2024.

Centerra - US 34/Crossroads Corridor

Master Finance Agreement 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.

- √ Performance Results As of December 31, 2022.
- √ For 2022, 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 2022, there were \$47,775 of administrative expenses paid from PIF funds.
- √ (b) Payments on District debt during 2022 total \$14,616,263.
- √ (c) District reserved \$28,217,680 in fund balance which is restricted for debt service repayments.
- √ (d&e) In 2022, the PIC has spent \$2,881,194 on Constructor Reimbursements.
- √ (f&g) The District did not disburse funds in 2022 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 2 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

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.

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.

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

√ 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.

√ During 2022, the District had one project that required a bidding process that was over the statutory minimum. The District met the bidding requirement and awarded the contract to Waterwise & Waterscapes for public improvements in the amount of \$313,516.

√ A random sample of 6 accounts payable checks revealed no material exceptions. Each transaction tested had an itemized statement of costs and expenses. Reimbursable expenses were documented in detail.

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

√ The third party independent audit report has been issued with an unqualified opinion and was received by the City on October 5, 2023.

√ Loveland City Council approved the seventh amendment to the Centerra MFA and intergovernmental agreement on January 5, 2016 for constructing a public parking structure on Parcel 206 to serve the general public. There was also clarification regarding Parcel 505 parking improvements that the parking improvements must be available to the public at large.

√ 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 March 1, 2023.

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 2022, 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, 2022

PROJECT AREAS

	<u>Centerra</u>					<u>Total</u>
	<u>Centerra</u>	<u>School</u>	<u>Downtown</u>	<u>Expanded Finley</u>	<u>Cleveland Station</u>	
REVENUES						
Taxes	\$ 18,497,527	\$ -	\$ 1,060,716	\$ 474,765	\$ 55,162	\$ 20,088,170
Interest on Investments	295	59,550	12,097	16,795	387	89,124
TOTAL REVENUES	18,497,822	59,550	1,072,813	491,560	55,549	20,177,294
EXPENDITURES						
Services	70,715		115,701		834,772	1,021,188
School District Fund	2,512,316					2,512,316
Capital Outlay			181,390			181,390
Debt Service				46,830	33,324	80,154
Distribution on Tax Increment Financing	15,935,211					15,935,211
TOTAL EXPENDITURES	18,518,242	-	297,091	46,830	868,096	19,730,259
Excess of Revenues over Expenditures	(20,420)	59,550	775,722	444,730	(812,547)	1,259,582
Fund Balance--Beginning	42,800	293,290	1,010,355	1,024,587	1,118,272	3,489,304
Fund Balance--Ending	\$ 22,380	\$ 352,840	\$ 1,786,077	\$ 1,469,317	\$ 305,725	\$ 3,936,339

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

Financial Statements continued...

Loveland Urban Renewal Authority
Balance Sheet
As of: December 31, 2022

	PROJECT AREAS					
	<u>Centerra</u>		<u>Downtown</u>	<u>Expanded Finley</u>	<u>Cleveland Station</u>	<u>Total</u>
	<u>Centerra</u>	<u>School</u>				
ASSETS						
Equity in Pooled						
Cash and Investments	\$ 22,380	\$ 6,236,751	\$ 1,949,118	\$ 2,141,387	\$ 38,138	\$ 10,387,774
Equity in Restricted						
Cash					267,587	267,587
Accrued Interest	-	16,663	3,079	3,911		23,653
Miscellaneous Receivable			15,270	643,652		658,922
Taxes Receivable	20,481,797		760,472	423,569		21,665,838
TOTAL ASSETS	20,504,177	6,253,414	2,727,939	3,212,519	305,725	33,003,774
LIABILITIES						
Accounts Payable			181,390			181,390
School Increment		5,900,574				5,900,574
Interfund Loan Payable				1,319,633		1,319,633
Deferred Revenue	20,481,797		760,472	423,569		21,665,838
TOTAL LIABILITIES	20,481,797	5,900,574	941,862	1,743,202		29,067,435
FUND BALANCE						
Unreserved	22,380	352,840	1,786,077	1,469,317	305,725	3,936,339
TOTAL LIABILITIES AND FUND BALANCE	\$20,504,177	\$ 6,253,414	\$ 2,727,939	\$ 3,212,519	\$ 305,725	\$33,003,774

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 intend 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 two reimbursements in 2022 for a total of \$961,162.50.

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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