City of Loveland

Destination Downtown: Heart Improvement Project

Downtown Strategic Plan and Implementation Strategy

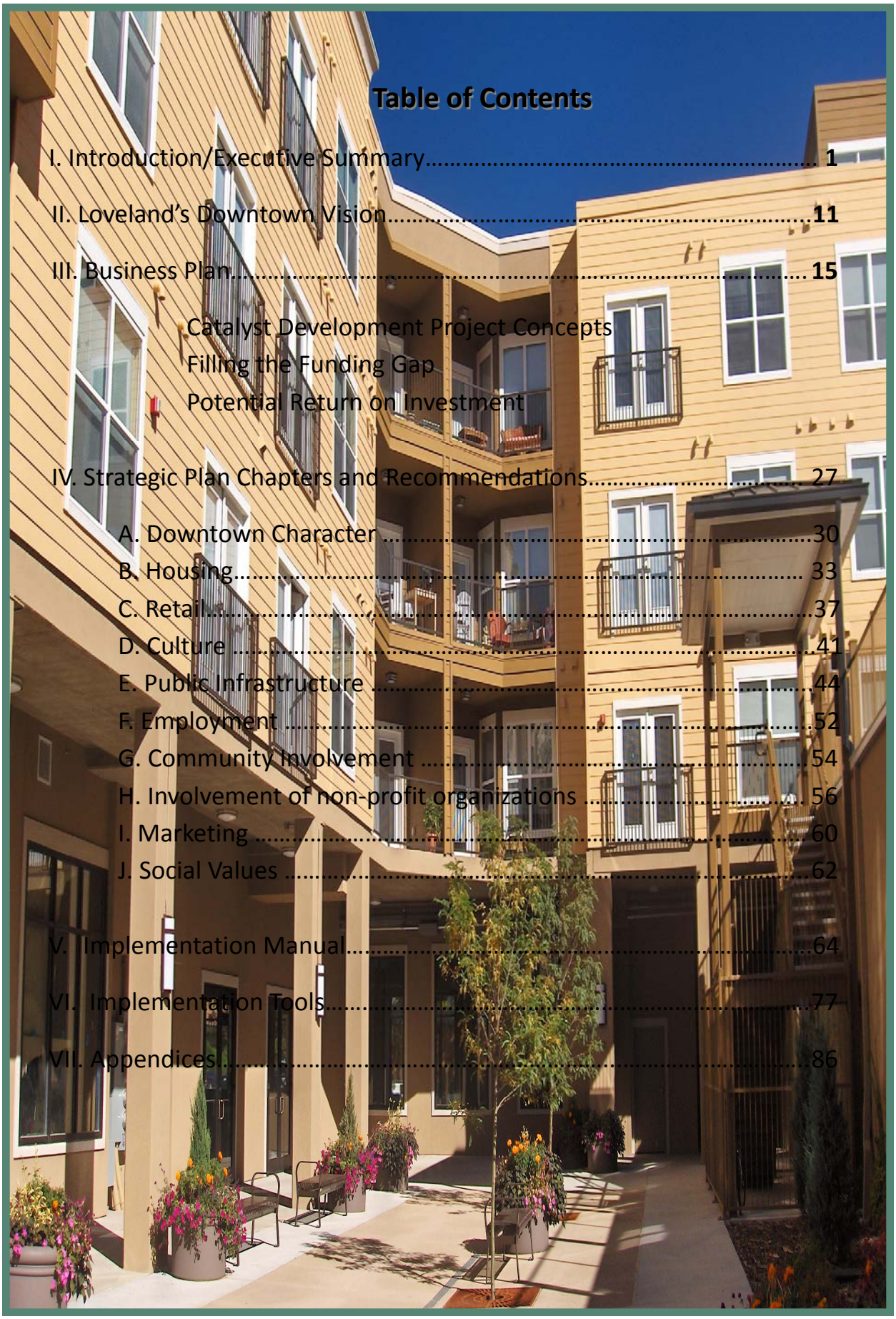
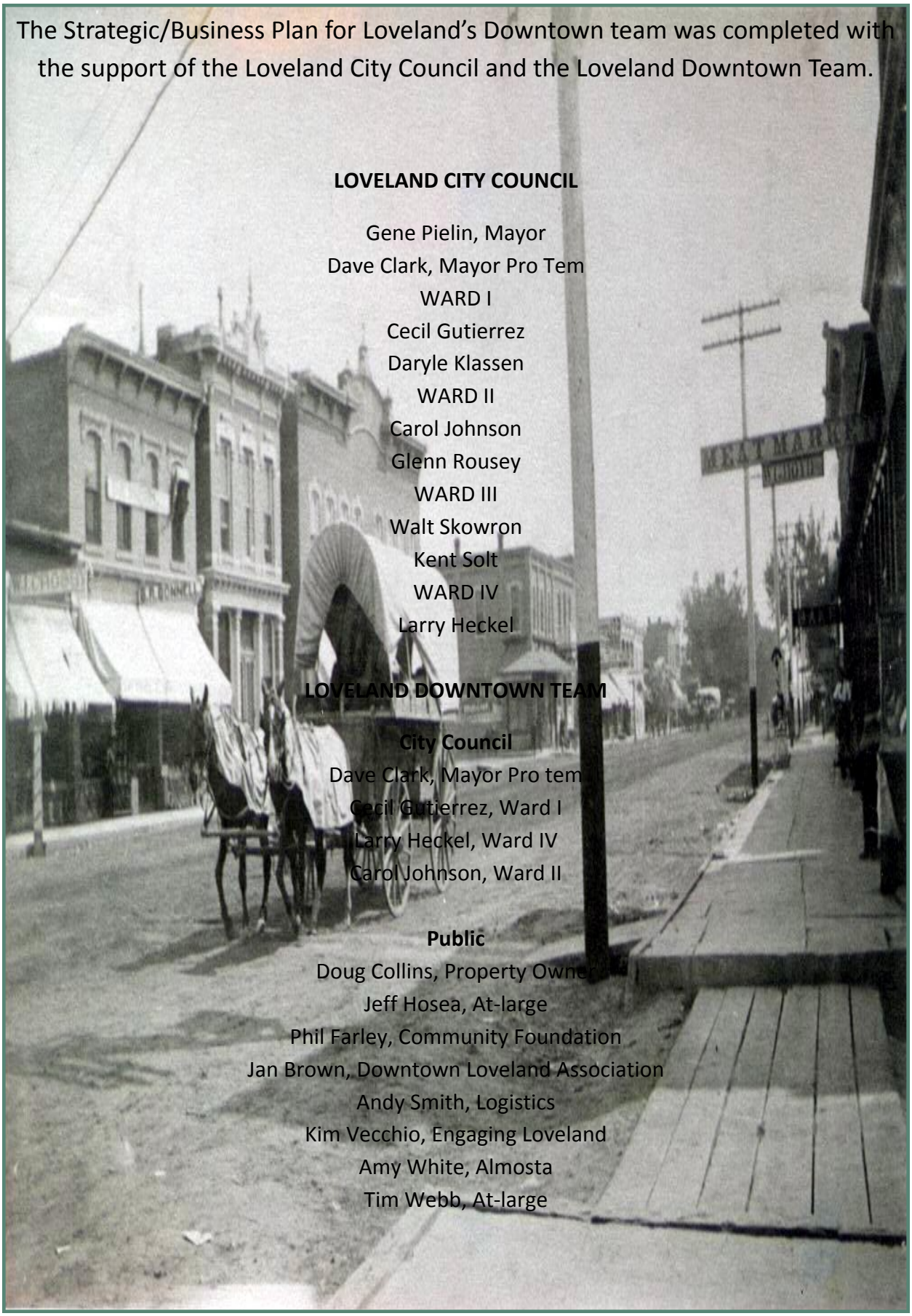


Table of Contents

The Strategic/Business Plan for Loveland's Downtown team was completed with the support of the Loveland City Council and the Loveland Downtown Team.



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I. Introduction/Executive Summary

Vision for Downtown Loveland

"The Downtown will have remained the cultural heart of Loveland. The Downtown will have been revitalized as a pedestrian-friendly area with shopping, restaurants, cultural facilities, employment, and housing."

Overview

In September of 2005, the City Council adopted a revised city wide Comprehensive Plan that is intended to guide the City's vision and policies for the next ten years. It includes the vision statement above.

The comprehensive plan also identified the need for a group to guide Downtown efforts, which led to the creation of the Loveland Downtown Team (LDT). The LDT is comprised of community members, building owners, merchants and four members of the Loveland City Council.

The Strategic/Business plan was drafted with the support of the LDT and many members made contributions. The plan is intended to serve as a guide for Downtown efforts for the next five to ten years.

Through the Strategic/Business plan and the leadership from the LDT and the Loveland City Council, non-profits and local residents the Downtown will be positioned to attract private investment in the Downtown, enhance the arts and culture and contribute to the broader economy of Loveland.

Principles

Section III is the Business Plan that includes financial projections based on existing and potential future catalyst development projects in Downtown, potential return on investment, funding, gap analysis, and tax increment projections . Section IV of the Plan is organized by the ten areas of interest, which are based on the Twelve Steps to Revitalization. Each of the ten areas of interest has specific *action steps*, which were used to develop the *priority goals and actions*.

From the *action steps* and *priority goals*, there evolved a set of *principles* that are intended to guide our actions over the course of this plan. The *principles* are articulated on the following pages:

Principle #1) Revitalization efforts must be focused on addressing the underlying economics that govern Downtown.

While the vision stresses Downtown as the cultural heart of Loveland, it is critical to address the economics particularly the lack of housing density and quality office space. By continuing to add new residential units and improving the quality of office space to attract and retain employers, the retail environment will greatly improve and help to increase value in the Downtown buildings.

At current lease rates for building space (less than $10 per square foot), it is difficult for property owners to make significant reinvestments in their buildings, which has led to the current cycle of neglect. With a revitalized building market functioning properly, vibrant housing market and thriving retail establishments, there will emerge a clear rationale for investment by the private sector, allowing the public sector to step back.

Principle #2) Public investments in infrastructure and other facilities should be used to leverage private investment.

Any revitalization effort needs to be focused on attracting private investment. For the economic market to work, private investors need to see financial gains from making investments and assuming risk in Downtown Loveland.

The public sector can help to mitigate some of the risk and support catalyst projects by strategically applying its public resources. This includes investments in street rights of way, public utilities, land clearance and other methods such as New Markets Tax Credits and Brownfield Tax Credits.

Principle #3) Private/Public partnerships are essential.

Under the current conditions, the public sector needs to set the vision and provide leadership to support Downtown revitalization. Due to the risks involved in Downtown investment, the private sector is unlikely to make a significant commitment without a public partner.

Downtown needs to use its leverage from strategic public investments to attract private investment in Downtown. Stakeholders need to work with local banks, developers and property owners to identify potential partners in the revitalization process. Attracting private investment is critical to the long-term success of Downtown.

Principle #4) The Downtown must embrace its market strengths particularly the agglomeration of arts and culture.

The need to improve the overall economic vitality of the Downtown will have the secondary effect of enhancing the cultural offerings in Downtown. Having greater residential density will add to the customer base for the Rialto Theater and the Museum, just as it will provide regular customers for the retail establishments in Downtown.

The City has defined itself as a destination for arts and culture. There are numerous talented artists and renowned galleries that serve as a destination for patrons around the State and the Country. The Downtown needs to capitalize on that energy and build off its art and culture community. An appeal to the arts and to heritage tourism through a revitalized historic core can benefit the entire community by bringing new spending into Loveland.

Principle #5) Efforts must seek broad community support and buy in.

Downtown is part of a much bigger region and will only succeed with community support. The residents of Loveland are the shoppers, the diners and the patrons of the cultural facilities in Downtown. We need their support to make the Downtown work both economically and politically.

Principle #6) Downtown should identify and use many different "tools".

There are many different tools that can be used to support revitalization in Downtown including tax credits, financial grants, public infrastructure improvements, supportive policies, tax increment financing and using local resources to leverage capital.

Having the flexibility of many different "tools" allows the Downtown to be flexible in developing strategies to address different needs. The different "tools" can also be used to close the financing gap, mitigate risk to investors, market the Downtown and ultimately attract investment.

Principle #7) This is a long-term strategy.

Revitalization does not occur overnight. The strategy is designed to promote the best possible outcome for the Downtown, but it will take time. Some of the financial and community impact may not become readily evident in the first few years. Our actions should be measured over the course of decades, and not months or years.

Priority Goals and Actions

Based on the Action Steps from the subchapters in Section III, the Goals and Action Steps below are intended to guide our actions and help achieve success in Downtown. The steps are designed to be simple and actionable and will be accompanied by an implementation plan.

Goal: Maintain and enhance the economic vitality of Downtown through private/public partnerships.

Actions:

- Identify and support strategies to increase Downtown density and improve the climate for employment. (Section F)
- Improve the public infrastructure and use investments to leverage private investment. (Section E)
- Provide cost estimates for infrastructure improvements that would support private investment in Downtown. (Section E)

Goal: Identify funding gaps to project development and structure tools to fill the gaps and achieve development.

Actions:

- Identify funding methods to fill the funding gaps including equity contributions of land and site improvements that include parking. (Section E)
- Strategically use Tax Increment Financing to incent catalyst projects. (Section E)
- For catalyst projects, seek opportunities for streamlined development approvals and fee waivers.
- Look at using Special Improvement Districts where appropriate.
- Identify other funding options, as appropriate.
- Facilitate the rehabilitation of historic buildings in the downtown through existing tools including the City's façade program.

Goal: Identify and support strategies to enhance and expand the cultural offerings in Downtown.

Actions:

- Complete the museum expansion and address the space needs of the Rialto Theater. (Section C—Action Step 1)
- Develop the Downtown as a cultural district. (Section C—Action Step 3)

Goal: Identify strategic catalyst projects that will significantly improve the economic conditions in Downtown.

Actions:

- Increase the housing density to a level commensurate with the existing zoning, 25 units per acre. The current housing density is approximately two units per acre for the core of Downtown. (Section B – Action Steps 1 & 2)
- Improve the quality of office space to support employment growth in Loveland. (Section F – Action Steps 1 & 2)
- Assemble smaller parcels for the purpose of creating denser vertical buildings in Downtown.
- Include affordable housing units as part of any new development.(Section J – Action Step 3)

Goal: Develop and maintain a living Strategic Infrastructure Master Plan for the downtown.

Actions:

- Consider strategically the desired improvements in downtown; assess available and prospective funding sources; and prioritize downtown improvements. (Section E – Action Steps 1 & 2)
- Wherever practicable, seek to link downtown improvements to redevelopment projects.
- Assess maintenance needs for existing public infrastructure downtown.
- Actively manage the downtown parking supply to support existing business and facilitate re-occupancy.

Goal: Proactively market the Downtown district.

Actions:

- Determine the brand identity for Downtown. (Section I – Action Step 1)
- Create a marketing plan for Downtown with the support of the non-profits. (Section I – Action Step 2, Section H Action Step 3)

Goal: Work collaboratively with non-profits, the LDT, Urban Renewal Authority and the City of Loveland to achieve the best long-term outcomes.

Actions:

- Seek to broaden the coalition by including more participation from the Arts, the Chamber of Commerce and other interested groups. (Section H – Action Step 1)
- Build strong coalitions to increase community support for Downtown revitalization efforts. (Section H – Action Step 2)

Implementation Strategy

Overview

The Downtown Strategic/Business plan provides the framework for developing a Private/Public partnership to achieve development in Downtown Loveland. This section, the *Implementation Strategy*, is intended to guide our actions attracting a private sector partners for investment in Downtown.

The *Implementation Strategy* is founded on the principles outlined in the Strategic/Business plan. Partnerships are essential, this is a long-term strategy, and investments must address the underlying economics that govern Downtown. Public investments in Downtown need to be focused and leveraged to ensure the highest possible return to the community in both quality of life indices and revenue.

The *Implementation Strategy* provides a long-term blueprint for achieving success. The intent is to stimulate the Downtown economy and create a robust and self-sustaining market for investment. The chart represents the desired economic cycle. Higher residential density, employment and visitors leads to spending and income for investors and business owners, leading to private investment in buildings.

The recommended strategy includes the following actions steps:

1. Convene a Growth Assessment Team made up of area real estate professionals to review development opportunities in Downtown Loveland.

2. Create opportunities to link the parking deck project and the museum expansion to a Private/Public partnership that results in mixed use projects and an expanded cultural district.

3. Review existing Implementation Tools and seek City Council approval for use of public investments to support private development in Downtown.

Timeline

Following the presentation to the Council, the Implementation Plan will be combined with the Strategic/Business Plan and Vision for consideration by City Council for inclusion in the City's Comprehensive Master Plan.

In addition, some Implementation Tools that will require separate City Council consideration. The tools will be discussed with City Council as staff develops a Request for Proposals (RFP) for

Implementation Manual and Tools

The *Implementation Strategy* is comprised of two sections; the *Implementation Manual* and *Implementation Tools*.

Implementation Manual:

The Manual is intended to identify actions necessary to bring private investors to the table and also to clearly define the public sector role in the partnership process. The strategy creates the framework for a Private/Public partnership for Downtown. Much discussion has occurred regarding the ability to attract investors and to support existing owners seeking to partner with the City to maximize development opportunities.

The Manual uses the catalyst project scenarios from the Strategic/Business plan along with the parking deck project and museum expansion to identify how a partnership might work. The strategy recommends creation of a facilitated process that would bring together local real estate professionals to review potential development projects in Downtown. The participants may include:

- Local/Regional Developers
- Investors
- Local Property Owners
- Architects
- Local Banks/Financial Partner

The process assists the City with review of potential catalyst projects for Downtown, refines the financial analysis, considers site capacity, market demand, and financing options and will develop a request for proposal for a catalyst development project in Downtown. The concept is to engage the private sector early on to help identify and support development opportunities in the Downtown.

The Manual also considers the public structures that support revitalization of Downtown including a Business Improvement District, Downtown Development Authority, Special Improvement District, and Downtown Development Corporation. Understanding that these structures have a valuable role, the strategy reviews the potential financial impact and other benefits each may provide.

Implementation Tools:

The *Implementation Tools* are intended to be a menu of options available to the City to incent development in the Downtown and to provide a wide range of alternatives to potential inves-

tors to support development. Leveraging public investments and other sources of funding including tax credits that may be available for Downtown is an important consideration.

By creating a menu of options available for developers, the section can be used as a marketing tool to attract investment. Since each project will present its own unique challenges, it is important to develop a range of available options to support investment and to promote incentives as a sign of the City's commitment to achieve investment.

The section also recognizes that policy decisions are just as critical in supporting investment. This includes zoning, existing fee waivers, and a predictable plan approval process. Discussions of these elements are part of this section as well.

II. Loveland's Downtown Vision

"The Downtown will have remained the cultural heart of Loveland. The Downtown will have been revitalized as a pedestrian-friendly area with shopping, restaurants, cultural facilities, employment, and housing."

- 2005 Comprehensive Plan

Background:

The Comprehensive Plan revisions were adopted by City Council in September of 2005. The document was developed with input from four subcommittees comprised of City staff and community volunteers as well as input from hundreds of residents. The Land Use plan was adopted two years later in 2007 and was intended to achieve the land use character as outlined in the 2005 Comprehensive Plan. Both documents include significant sections on Downtown.

Loveland's Downtown is referenced throughout the 2005 Comprehensive Plan, and each section reemphasizes the strategic importance of a vibrant Downtown to the community at-large.

2005 Comprehensive Plan Downtown

"The Downtown will have remained the cultural heart of Loveland. The Downtown will have been revitalized as a pedestrian-friendly area with shopping, restaurants, cultural facilities, employment, and housing. Historic buildings in the city's core and elsewhere will have been preserved and rehabilitated. Patio cafes will be favorite meeting places. A variety of small, locally grown businesses and diverse restaurants will have thrived in the Downtown. Downtown apartments, lofts, condominiums, townhouses and live-work units will have provided urban living options for persons in various income ranges. Redevelopment of the Downtown will have kept pace with newer developments along I-25. A pedestrian mall near the Loveland Gallery/Museum will have become a favorite destination and a successful business location. Street lights will have continued to be installed on most streets, serving to enhance the evening ambiance in the Downtown.

Because the Downtown will continue to have a strong residential base, services such as banking, grocery, drug, and hardware stores will have been centrally located near transit stations, which will have been situated so as to be very accessible by pedestrians. While most people will have chosen to come to Downtown by transit, walking, or cycling, sufficient

automobile parking will have remained available. Pedestrians will have found it easy to get around in the Downtown. Longer traverses across the Downtown will have been made possible by a historic streetcar.

The Downtown will have no longer turned its back on the Big Thompson River. The Big Thompson Riverwalk will have connected the redeveloped Old Fairgrounds to the Downtown, linked to the larger Loveland Trail system, and provided a lush green retreat. Benches, sculpture, common use patios, and interpretive displays will have adorned one of the community's favorite greenways, which will have been surrounded by significant natural areas where gravel pits were once a part of the landscape.

The 2005 Comprehensive plan also addresses Downtown in the sections on Culture and Economic Vitality.

Culture:

The vision for Loveland's Downtown articulates the need for a strong cultural character, economic vitality, pedestrian infrastructure, residential density, and the need to connect with the Big Thompson River and the Fairgrounds Park.

The need to have a strong cultural component is reinforced with the vision for Cultural Services which states:

The Downtown will have remained the unquestioned center for arts and culture.

Economic Vitality:

Under the Community Vision for Economic Development, the importance of Downtown is again reinforced:

*The **vibrant Downtown** and surrounding "urban villages" built on redeveloped sites will have served as hubs for creativity. Urban style living, space to open new businesses, places to network or relax, and services such as arts and business incubators and telecenters will have allowed creative and techno-savvy individuals to flourish in Loveland. Economic development initiatives such as the highly successful economic gardening program, coupled with fair city policies, will have given small businesses the ability to compete in the marketplace. Small businesses will have continued to support each other through business networks. A more diverse population will have created many business and market niches.*

*Neighborhood-scale retail and a **vibrant Downtown** will have also provided support to home-grown businesses. As a result, many local small businesses will have been able to grow, create jobs, and prosper.*

2007 Land Use Plan

The 2007 Land Use plan designates the "*Downtown Activity Center*," defined as the following:

> ***Downtown Activity Center:*** *The Downtown area continues its traditional role as the city center. Downtown Loveland has roots as the civic, cultural, and commercial center of the city dating back to the turn of the 20th century. The importance of maintaining the Downtown as a viable activity center in the city is apparent in its unique qualities of walk-ability, architectural style, historical ambiance, and mix of land uses. Many of the positive qualities of the Historic Business District are being strived for in new development efforts in the city. The Historic Business District has matured into an activity center that represents both the past and future of the City of Loveland, and thus serves as a destination for visitors from local and international origins. Its century-long vitality demonstrates the workability, resilience, and logic of a true activity center. The City should encourage policies and incentives to preserve the historic nature of downtown Loveland.* (2007 Land Use Plan, p. 14)

The Land Use plan recommends development guidelines that encourage streetscape improvements, outdoor seating and preservation of the historic character. It states that the Downtown shall serve the needs of all of the residents and have the highest residential densities at 25 units per acre.

The B-e Zoning district was created in 2003 in part to facilitate the types of development articulated in the Land Use plan. This includes higher residential density, mixed-use development and higher allowable height for buildings.

Urban Renewal Authority Plan Goals:

The Urban Renewal Authority Plan was adopted by City Council in 2002.

The plan includes the following renewal goals:

> *The goals of the urban renewal effort are to serve primarily as a redevelopment catalyst for the downtown area. Actions of the Authority should be in accordance with the following Plan goals: (*Loveland Urban Renewal Plan, 2002, p. 3)
>
> *G1: To eliminate and prevent conditions of blight which constitute an economic and social liability to the community.*
>
> *G2: To prevent the physical and economic deterioration of the Urban Renewal Area.*
>
> *G3: To attract capital investment in the downtown, and to assist in the retention and expansion of existing businesses, thus strengthening the City' economic base.*
>
> *G4: To create a stable tax base.*
>
> *G5: To facilitate the development of mixed use projects in the downtown area.*

III. Business Plan

Introduction:

Consistent with the Strategic Plan principles outline in Section I, this section identifies specific development projects, funding gaps and the potential return on investment. Identifying the project concepts for development and understanding the constraints to achieve development are critical steps to achieve the long-term vision.

The section below reviews potential projects in Downtown, the cost to both the public and private sector and the potential return on investment. This information is intended to guide the public investment to support private development in Downtown.

Under Financial Performance and Projections heading, information about the first six years of the Downtown URA is provided. Projections for the remaining years, 2009 to 2027 are also provided. The projections illustrate possible development strategies and provide a foundation to support discussion of implementation strategies in the future.

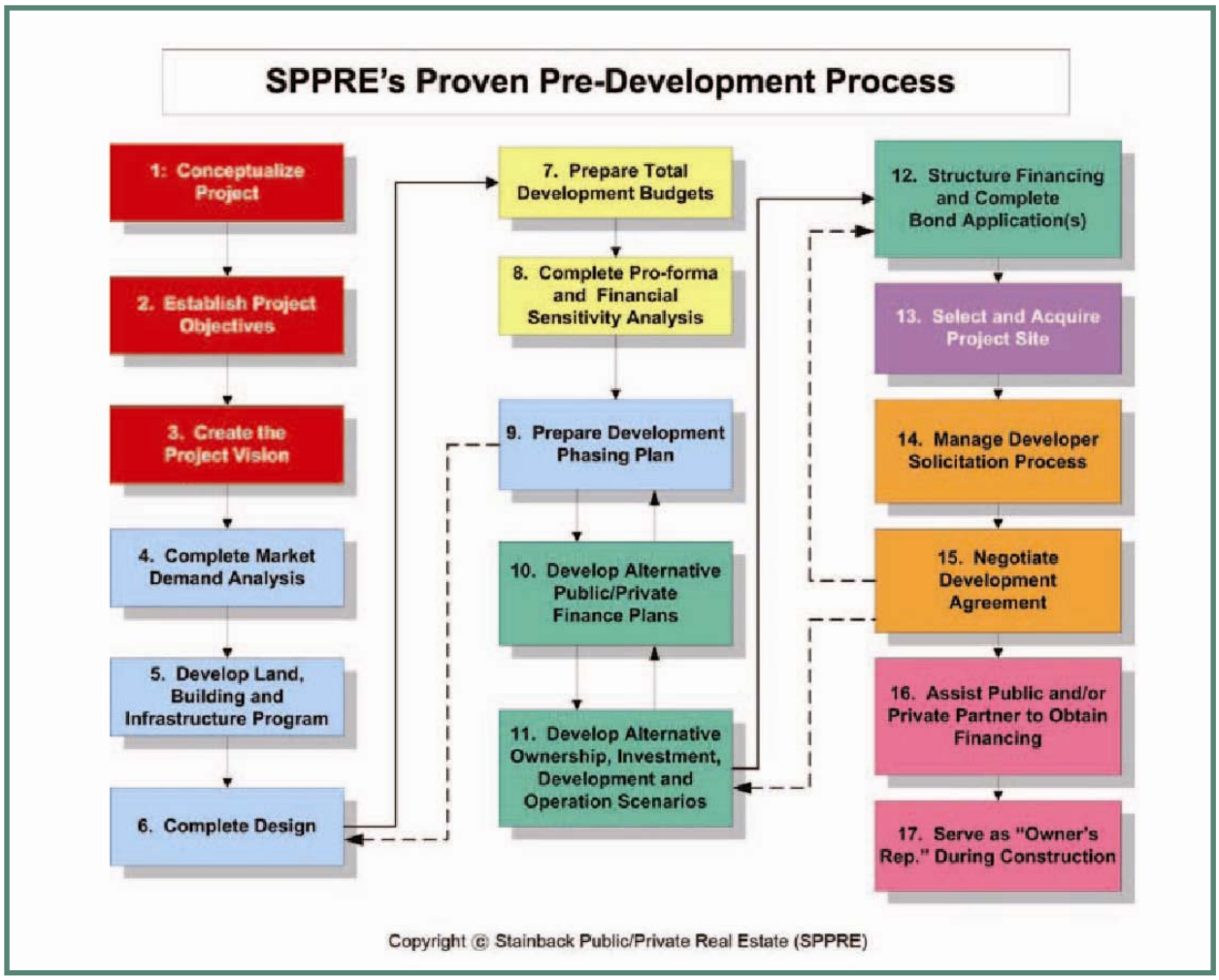
Catalyst Project Concepts:

The revitalization strategy is based on creating a strong market for investment in Downtown. A vibrant Downtown will have the secondary benefit of improving the environment for arts and culture.

To achieve the goal, it is critical to identify catalyst project scenarios that can guide the actions over the next five to ten years. Catalyst projects are broadly defined as mixed use development that adds residential density, new office space and assembles smaller parcels for large redevelopment projects. The project should, when complete, enhance the sense of place in Downtown Loveland and significantly impact the economics and climate for investment.

To develop the catalyst project concepts, a real estate pro-forma was completed for three different scenarios that includes projected hard costs (land, construction, etc), soft costs (fees, reserves, etc) and projects revenue based on current market conditions. The pro-formas worksheets for each of the projects are included in the appendix.

The chart below is taken from the Urban Land Institute's "*Ten Principles for Successful Public/ Private Partnerships*." The first step is to "Conceptualize Projects". The catalyst concepts outlined in this section are intended to guide our efforts for engaging in partnerships that will result in long-term investment in Downtown.



The catalyst concepts are partially site-specific to Downtown. The scenarios use some real data, but were made generic so that the application may be used in various sites depending on the opportunity. Real property value information, cost per square foot, rental rates and other information is used to present a clear and accurate picture of the climate for investment in Downtown.

The information is provided to evaluate the potential for catalyst projects using real data. Additional information and methodology is included in the appendix.

The project chart identifies the potential cost of the project and the potential contributions from public and private sources.

There are three catalyst scenarios:

Small Catalyst Project: 50,000 square feet with 20 new residential units, 25,000 square feet of commercial space with identified employer on a high visibility location in Downtown.

The small catalyst project is based on a private/public partnership that would assemble, scrape and build a new four story mixed use building. The existing properties are single story and in poor condition. Individually, the properties are not large enough to sustain vertical development and the existing condition is such that the buildings could not command market rents for Downtown.

The project envisions two stories of retail and office in conjunction with an employer, along with housing on the third and fourth floors.

Medium Catalyst Project: 100,000 square feet with 47 new residential units and 35,000 square feet of commercial space. The building includes partial public ownership in a high visibility location for arts and culture in Downtown.

The concept assumes a private/public partnership that would assemble, scrape and build a new five story building. The upper stories would have excellent mountain views and could be luxury rental units. The lower area would be prime gallery space due to its proximity to existing facilities.

The project envisions the first and second floors as commercial with some additional public space. The upper stories would be housing.

Large Catalyst Project: A 275,000 square foot redevelopment with 165 new residential units, 75,000 square feet of commercial space, the potential for 50,000 to be used by the public sector. The project also assumes construction of a 300 space public parking deck.

The concept calls for a full city block that includes a sixth story setback to meet existing zoning standards, but to take advantage of mountain views. The project envisions 50,000 square feet of commercial space would be used by a public sector partner. In addition, 300 public parking spaces would be included in the development.

The upper stories would be residential with the lower floors commercial and retail.

The chart below includes the development scenarios and financing for these catalyst development projects:

Catalyst Project Scenarios	50,000 Square Foot Mixed Use Project	100,000 Square Foot Mixed Use Project	275,000 Square Foot Mixed Used Project
	Project Overview and Cost		
Project Land Area (acres)	.35 acre	.5 acre	2.5 acres
Total Private Development (sq/ft)	50,000	100,000	365,000
Retail/Restaurant	12,500	20,000	25,000
Office	6,250	20,000	50,000
Residential	31,250	60,000	200,000
Public Parking Deck	0	0	90,000
Floor Area Ratio (density)	4 to 1	5 to 1	3.9 to 1
Total Project Value @ Build Out	$6,500,000	$13,000,000	$35,750,000
Total Project Cost @ Build Out	$8,200,000	$19,632,000	$52,368,000
Project Margin - Gap	($1,700,000)	($6,632,000)	($16,618,000)
Project Margin - Gap %	-21%	-34%	-32%
Estimated Cap Rate	3.80%	4.70%	3.90%
	Funding Scenario/Gap Analysis		
Developer Equity (15% Project Value)	$975,000	$1,950,000	$5,362,500
Debt Financing (conventional 7 %)	$3,905,274	$9,210,464	$25,238,872
Land	$0	$400,000	$2,500,000
Site Improvements (infrastructure)	$1,100,000	$1,500,000	$1,500,000
Tax Increment Financing	$350,00	$400,000	$1,500,000
Fee Waivers (automatic)	$400,000	$400,000	$500,000
Sales Tax Sharing	$0	$0	$0
Special Improvement District	$0	$0	$0
New Market Tax Credits	$0	$0	$1,500,000
Brownfield Tax Credits	$0	$0	$1,000,000
Other (Land Clearance)	$350,000	$500,000	$1,500,000
Subtotal Financing	$6,730,274	$14,360,464	$40,601,372
Financing Gap	($1,469,726)	($5,271,536)	($11,766,628)

Filling the Funding Gap

Downtown development is a difficult undertaking, but offers the best opportunity for long-term success of the revitalization effort.

Most properties in Downtown Loveland are between 2,000 and 5,000 square feet, which severely limit the opportunity for redevelopment. For a larger project to occur, a private developer would need to negotiate with multiple property owners to acquire and assemble properties. In addition, the cost of demolition and clearance is prohibitive and risky due to the age of the buildings.

In contrast, with green-field development, land tends to be less expensive, there is little need for assemblage, and the cost of land clearance is nominal compared to Downtown. For Downtown Loveland to attract private investment, stakeholders will need to address these impediments to investment.

The chart to the right outlines the risk and rewards for Public/Private partnerships. The chart is from the Urban Land Institute's "*Ten Principles for Successful Public/ Private Partnerships.*"

FRAMEWORK FOR A RISKS AND REWARDS BALANCE SHEET

Risks		Rewards	
Public	**Private**	**Public**	**Private**
Conflicts of interest, perceived or real	Excessive costs of development, unprofitable	Greater community wealth, tax base, public infrastructure	Resources to sustain organization
Use/misuse of public funds, resources, perceived or real	Time-consuming process required; time is money	Increased taxes, other revenue	Profitability
Controversial impacts on those directly affected: • Land use conflicts with adjacent property owners • Dislocation by condemnation • Relocation costs and procedures • Disagreements on fair market value	Failure to create long-term value	Promote, advance city image	Value, wealth creation
	Accusation of being unfairly enriched at public expense	Job creation	Enhanced reputation, experience to get next project
	Change in key public, political, or staff leadership that derails partnership	Community betterment, enhanced quality of life	Market niche
	Market shortfall, failure	Reelection (elected officials)	Community betterment, enhanced quality of life
	Loss of invested equity	Job retention, advancement (staff)	
Developer fails to perform or goes out of business	Untimely public airing of critical project details, especially financing		
Public opposition, NIMBYism	Liability impacts		
Liability impacts			

For the private sector, the greatest risk is the excessive costs of development. Based on the catalyst project scenarios, there is a tangible risk to private developers in Downtown Loveland. Absent a strong public sector partner, it is unlikely that significant development will occur.

While the funding gaps may seem challenging, in most Downtown communities, a $3 to $1 ratio of private to public dollars is not uncom-

mon. Based on the Cost/Benefit analysis provided to the City Council at the January 2009 retreat, the ratios of private to public investment vary from $24 in private investment for every $1 dollar of public investment to .70 cents for every dollar of public investment.

There are a number of tools that can be brought to bear to support a successful private/public partnership. This includes tax credits, land clearance, fee waivers, Tax Increment Financing, land assemblage among other resources. While the existing gaps may seem daunting, it is important to recognize that there are a number of potential sources of funding that can be brought to bear.

There are opportunities such as the New Markets Tax Credits, which can be applied in Downtown to offset the cost of development. The City also offers significant fee waivers, which for large projects, can be in excess of $100,000. The plan for bridging the funding gap will be reviewed in the implementation plan.

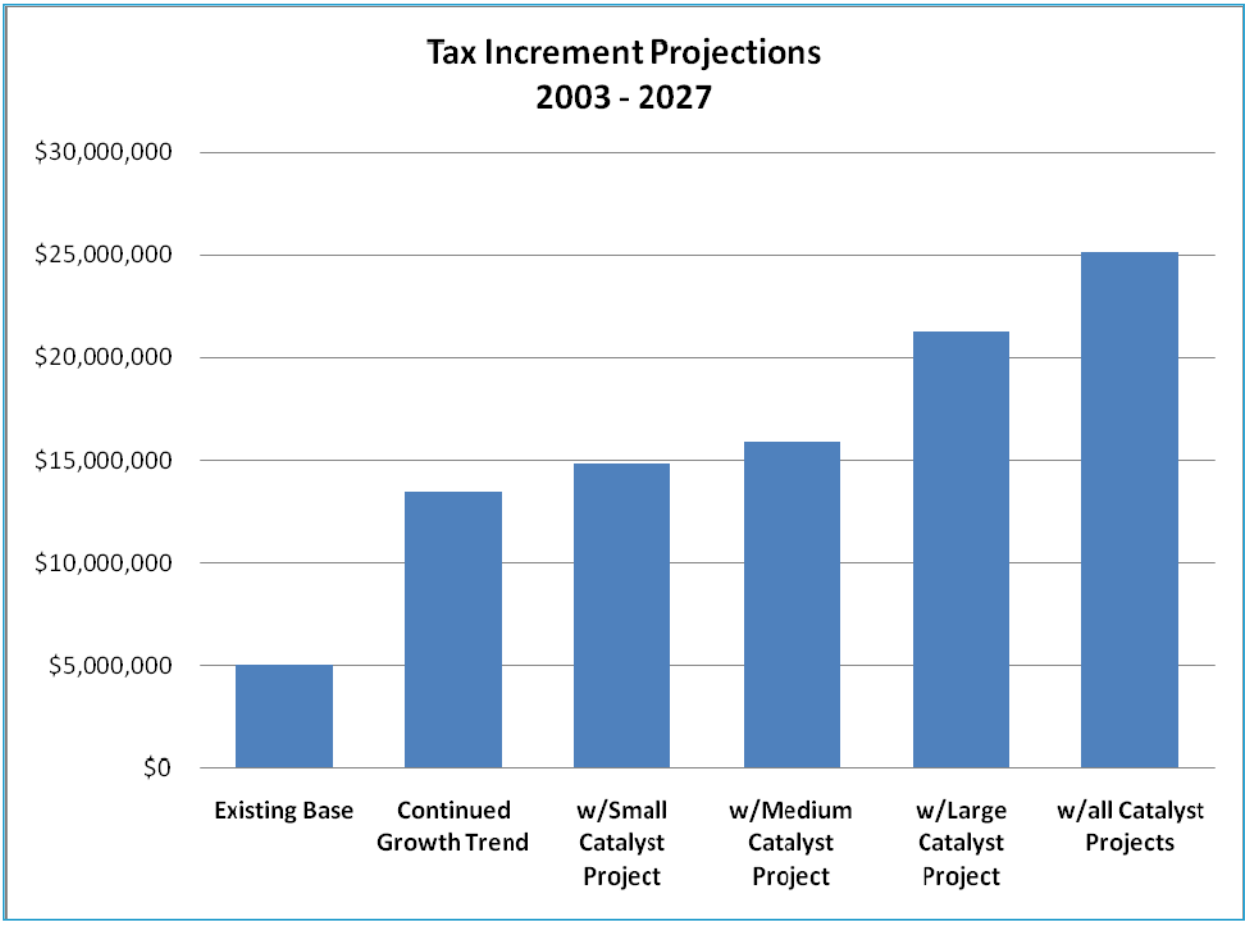
Potential Return on Investment:

The potential return on investment can be calculated using the general fund revenue to the City over a set period of time, revenue to the Urban Renewal Authority, and/or revenue to all sources including the County and the School District. The revenue, while critical to maintaining the fiduciary compact with the residents of Loveland, does not take into account secondary benefits, such as adding to the vibrancy and overall health of Downtown.

The financial projections can be used to calculate the return on investment review the impact on the Urban Renewal Authority and project revenue out over 30 years to highlight the property tax impact on Larimer County and the School District.

The chart on the next page highlights the potential impact on Tax Increment to the Downtown Urban Renewal Authority using data from the catalyst project scenarios. The chart assumes that the projects are complete by 2012 and include a small sales tax gain from the projects.

The anticipated total revenue to the Urban Renewal Authority with three catalyst projects in Downtown would be $25,485,112. The figure excludes any spinoff or multiplier benefits that may occur as a result of new development.



The next chart calls out *only* the property tax revenue to the various taxing entities over the course of the next thirty years for the Large Project Development Scenario. Understanding the impact on the other taxing entities is critical to building broad support for Downtown investment.

The following are the three potential redevelopment scenarios using actual property data:

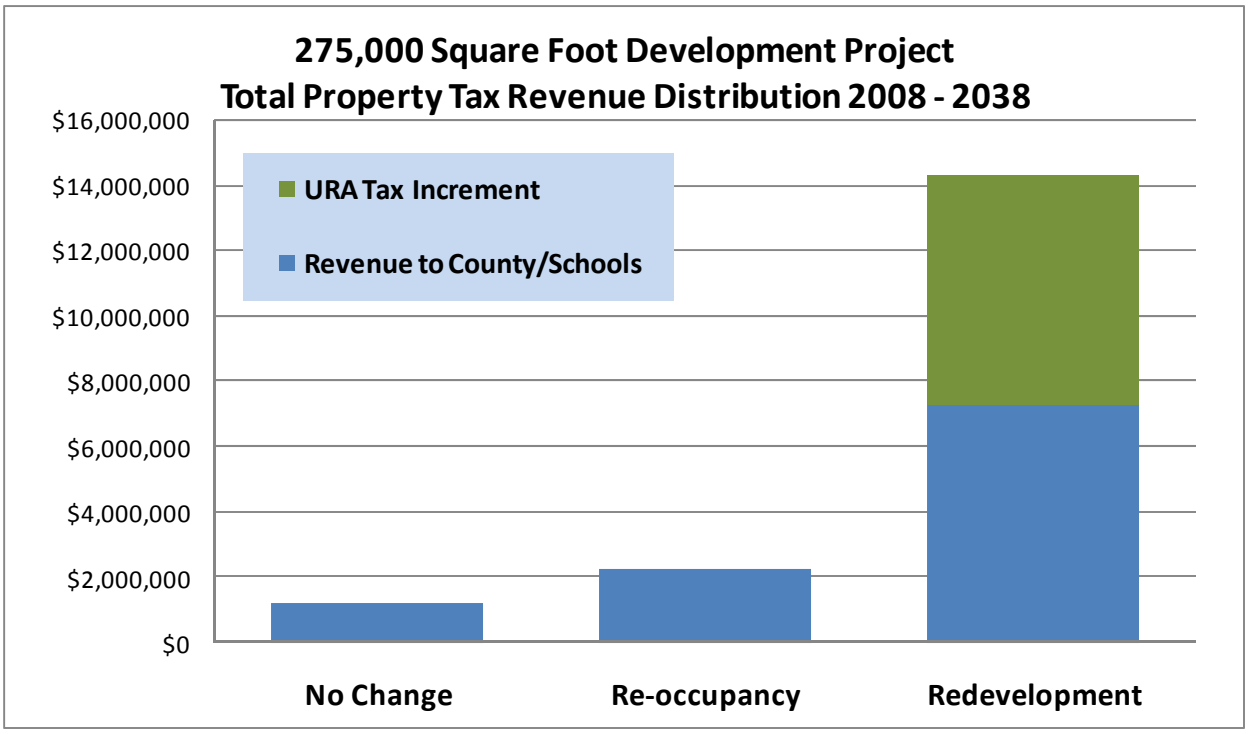
No Change – The property remains in its current form with a 1.5 percent appreciation in property value.

Re-Occupancy – 40 percent re-occupancy of existing buildings in five years and 80 percent re-occupancy in 10 years. The figures are projections used in the parking study.

Large Catalyst Project – The figure assumes a 275,000 square foot catalyst development project in Downtown.

Based on the projections, over the course of the next thirty years, the other taxing entities stand to gain significant new revenue should the Urban Renewal Authority be successful in attracting new private investment in Downtown.

Based on the County Assessor's revenue calculation, re-occupancy of existing space without significant change in use does not generate any tax increment to the Urban Renewal Authority.



Because the 275,000 square foot project scenario is 65 percent residential and 35 percent commercial, the property tax revenue projections are higher than the Lincoln Place development, which is 90 percent residential and 10 percent commercial.

Based on the funding scenarios, and projected financing gap, the challenge for the Loveland Downtown Team will be to identify additional resources of financing to support development. The projected revenue generated from the project does not generate a rate of return that would equate to making direct cash investment in a catalyst projects.

This should not be construed to discourage pursuit of catalyst projects, only to recognize that it will be critical to bring in additional funding partners and sources of funding to make these projects work.

Financial Performance and Projections

In the immediately following pages, an oversized spreadsheet and a corresponding chart are presented to show the financial history and some future option for the Downtown Urban Renewal Area (URA). This information is provided to provide information to build the foundation for discussion of possible financial strategies.

To provide context for the expectations of the Downtown URA as contemplated when the plan was adopted (2002), elements of the original financial plan are presented under the heading of the "***Original Downtown URA***" (in the spreadsheet this section is at the top in yellow background and on the chart as a yellow line).

It was anticipated that the majority of the tax increment from the Downtown would come from growth in the sales tax. The base sales tax collections for the Downtown were set as the twelve month period from October 1, 2001, to September 30, 2002. In actual dollars, the base is $1,280,253. At the time the plan was adopted, the assumption that sales tax would grow at five percent per year was considered conservative. For the 25 year life of the Downtown URA, the sales tax receipts were projected at $32.3 million. Growth in actual sales tax collections to date has not materialized. In fact, actual collections in the first through the sixth complete years of the Downtown URA have fallen short of the base year. There has not been any tax increment since the inception of the project. The most compelling reason for the sales tax not performing up to expectations is the addition of other retail outside the downtown and the closure or relocation of prominent downtown businesses.

For the immediate future sales tax collections are not expected to reach the base year level resulting in no increment to the Downtown project. The projections show that this will change in the year 2014 with increment of $40,000. This amount is assumed to grow at two percent per year until 2027. The resulting increment for the life of the project is $626,021.

The projections for property tax increment in the Downtown project area were also thought to be conservative when the plan was adopted. The total property tax increment projected for the 25 years was $4.6 million. For the first six years the projections anticipated collections of $66,764. Actual collections for the period 2003 to 2008 were $26,454. At first look, this performance may be disappointing; however, a major portion of the downtown area became the

Lincoln Place project area. When tax increment ($85,800) from Lincoln Place is added to the Downtown, the total becomes $112,254, well ahead of the original estimate. Property tax increment collections show an up and down cycle. This pattern is carried out through the life of the District. The cumulative property tax increment is projected to be $842,354.

Combined sales and property tax increment is now being projected to be $1,468,375.

The "***Actual Results"*** for the Downtown URA, the 2009 estimates, and revised projections for 2010 through 2027 are shown in the light blue section of the spreadsheet and is combined on the chart with Lincoln Place and other recent projects as the light blue line near the bottom.

The next project area in the spreadsheet is ***"Lincoln Place***" and is shown in a light green color in the spreadsheet. This project is considered to be a catalyst for other downtown development. It consists of 200 rental apartments, 22,000 square feet of commercial space, and an attached parking structure. The commercial space is intended to be retail. The City of Loveland agreed that $917,456 of the construction completed is public improvements. According to the agreement with the developers of the project, property tax increment will be used to reimburse the developer for the costs. The payback period is expected to last eight years. To date, $84,228 has been received from property tax. In 2009, the figure is estimated to be $152,000. Over the next 18 years, it is projected that the property will appreciate in value by two percent per year. The total tax increment after the repayment to the developer for the public improvements for the life of the project is projected to be $2,477,329. The return on investment for this project is 11 percent.

The next section of the spreadsheet represents recently completed projects that will be coming on line in the next few years. This section is referenced as ***"Recent Projects"*** and includes, among others, the KL&N project on 4th Street, the 1st and Railroad mixed use project, and the Mercury Plaza project on Cleveland. These projects are in various states of completion. To be conservative, only a portion of the total project tax increment is included in 2010 and full estimated increment in 2011. No sales tax increment is anticipated. The Recent Projects are in the light tax section of the spreadsheet, the fourth section. The total tax increment associated with these projects through 2027 is $1,081,075.

The Actual Results, Lincoln Place, and recent projects are added together and are represented as the light blue line, the lowest line at the bottom of the chart. Over the remaining life of the Downtown URA project, these three sections provide $5 million of tax increment.

The "***Continued Success***" projects are based on the development in the downtown that has occurred over the past seven years. If the results of the "Recent Projects" are replicated in each of the remaining years of the Downtown project, the tax increment would be substantial. The Continued Success is consistent, although adjusted downward by staff to be more conservative with downtown growth projections in the recently completed parking study. This section of the spreadsheet is based solely on property tax increment, and would add $8.4 million of tax increment to the Downtown project. On the chart, it is shown as a light brown line, the second line from the bottom of the chart.

The remaining portions of the spreadsheet demonstrate the anticipated performance of the catalyst projects discussed earlier in this section of the Plan. They are presented in the dark pink, and light pink sections of the spreadsheet. On the chart, the Large catalyst project is shown on the dark pink line. The Medium and Small catalyst projects are combined into one line, the lights pink line.

The "***Large Catalyst***" project shows the financial impacts of a 275,000 square foot project as described in detail previously in this section. The impacts are substantial: $7 million of property tax increment and $783,000 of sales tax increment over the remaining life of the project. The total value of the tax increment of such a project would be $7.8 million. The increment could be used to meet the financing gap as identified previously or applied to public improvements.

The Large Catalyst includes sales tax increment for two reasons. The first is that additional households locating in the Downtown would be expected to spend a share of their disposable income in their own neighborhood. Based on this spending propensity of Downtown households, additional retail, including retail in the project itself, would businesses would locate in the Downtown. This theory applies to the Medium and Small Catalyst projects as well.

On the chart, the Large Catalyst is the reddish line with a circular pink marker and is the middle line. This project is the largest single generator of tax increment among the options presented.

The "***Medium Catalyst***" project indicates additional property tax increment of $2.5 million and sales tax of $212,000. The size of the project is 100,000 square feet of mixed use development. The total tax increment from this project would be $2.7 million over the remaining life of the Downtown project area. In the chart, the Medium Catalyst is combined with the Small Catalyst project below. It is the light pink line with the square marker.

The "***Small Catalyst***" project portrays a 50,000 square foot project, also mixed use in composition. The tax increment for this project would be$1.4 million in property tax and nearly $91,000 in sales tax.

Recap of Financial Performance and Projections

Based on the development currently in place in the Downtown URA project area, **$5 million** of tax increment is expected from the projects. The largest contributor to the existing projects is Lincoln Place and it is assumed that an agreement will be reached between the Downtown URA and the Lincoln Place URA to capture the tax increment after the repayment to the Lincoln Place developer is completed in 2014.

If the Downtown URA can foster continued development at the same levels experienced in recent years, an additional **$8.4 million** could be gained to support projects or public improvements. It will required focused efforts of the City to continue the recent success.

The real opportunity lies in the ability to create the conditions for additional catalyst projects. If the Downtown URA could induce the three projects discussed in this section, an additional **$12 million** could become available.

In combination, the combined tax increment from existing projects, continued successful development, and the three catalyst projects would be **$25.4 million.** The graph on the following page shows the projected annual tax increment over the course of the URA.

Financial Projections for the Downtown Urban Renewal Area

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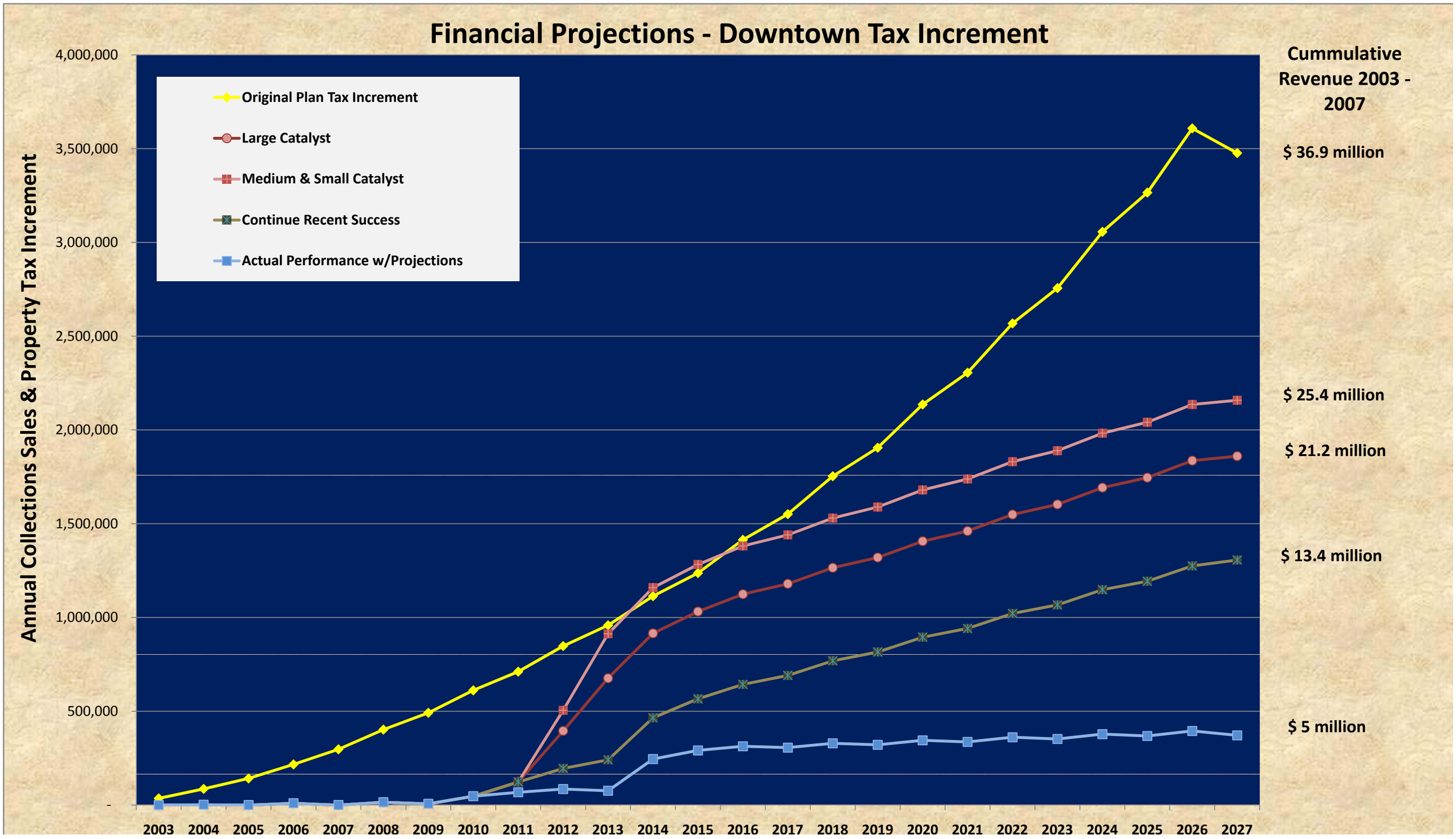
Calendar Year	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
URA Year	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25
Original Downtown URA																									
Property Tax Increment	-	5,093	5,093	12,159	12,159	32,260	32,260	57,471	57,471	88,799	88,799	127,428	127,428	174,751	174,751	232,406	232,406	302,312	302,312	386,720	386,720	488,267	488,267	610,034	245,561
Sales Tax Increment	35,709	81,089	137,009	204,575	285,160	370,134	459,734	554,214	653,838	758,887	869,656	986,457	1,109,618	1,239,485	1,376,424	1,520,820	1,673,079	1,833,629	2,002,920	2,181,431	2,369,662	2,568,142	2,777,431	2,998,115	3,230,817
Net Revenue to Downtown	35,709	86,182	142,102	216,734	297,319	402,394	491,994	611,685	711,309	847,686	958,455	1,113,885	1,237,046	1,414,236	1,551,175	1,753,226	1,905,485	2,135,941	2,305,232	2,568,151	2,756,382	3,056,409	3,265,698	3,608,149	3,476,378
Cumulative Revenue	35,709	121,891	263,993	480,727	778,046	1,180,440	1,672,434	2,284,119	2,995,428	3,843,114	4,801,569	5,915,454	7,152,500	8,566,736	10,117,911	11,871,137	13,776,622	15,912,563	18,217,795	20,785,946	23,542,328	26,598,737	29,864,435	33,472,584	**$ 36,948,962**
Actual Results through 2008 plus 2009 Projections																									
Property Tax		1,855		9,499		15,100	6,800	22,300	13,200	29,500	19,600	36,700	26,000	43,900	32,400	51,100	38,800	58,300	45,200	65,500	51,600	72,700	58,000	79,900	64,400
Sales Tax Increment	-	-	-	-	-	-	-	-	-	-	-	40,000	40,800	41,616	42,448	43,297	44,163	45,046	45,947	46,866	47,804	48,760	49,735	50,730	38,808
assume sales tax positive in 2014																									
Net Revenue to Downtown	-	1,855	-	9,499	-	15,100	6,800	22,300	13,200	29,500	19,600	76,700	66,800	85,516	74,848	94,397	82,963	103,346	91,147	112,366	99,404	121,460	107,735	130,630	103,208
Cumulative Revenue	-	1,855	1,855	11,354	11,354	26,454	33,254	55,554	68,754	98,254	117,854	194,554	261,354	346,870	421,718	516,116	599,079	702,425	793,573	905,939	1,005,343	1,126,803	1,234,538	1,365,167	**1,468,375**
Lincoln Place $917,466 Public Improvements TIF Shareback																								ROI=	**11.05%**
90% Residential					(7,758)	(76,470)	(152,000)	(154,280)	(156,594)	(158,943)	(161,327)	41,688	166,203	168,696	171,227	173,795	176,402	179,048	181,734	184,460	187,227	190,035	192,886	195,779	198,716
10% Retail																									
Property Tax Increment					7,758	76,470	152,000	154,280	156,594	158,943	161,327	163,747	166,203	168,696	171,227	173,795	176,402	179,048	181,734	184,460	187,227	190,035	192,886	195,779	198,716
Sales Tax Increment					-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net to Downtown URA												111,120	166,203	168,696	171,227	173,795	176,402	179,048	181,734	184,460	187,227	190,035	192,886	195,779	198,716
Cumulative to Downtown												111,120	277,323	446,020	617,246	791,042	967,444	1,146,492	1,328,226	1,512,686	1,699,913	1,889,948	2,082,834	2,278,613	**$ 2,477,329**
Recent Projects - Private Investment to be Added to the TIF																									
$9.1 million private investment up to 2008																									
Assumes no futher private investment after 2008																									
Property Tax Increment								25,000	55,000	55,825	56,662	57,512	58,375	59,251	60,139	61,041	61,957	62,886	63,830	64,787	65,759	66,745	67,747	68,763	69,794
Sales Tax Increment								-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net to Downtown URA								25,000	55,000	55,825	56,662	57,512	58,375	59,251	60,139	61,041	61,957	62,886	63,830	64,787	65,759	66,745	67,747	68,763	69,794
Cumulative to Downtown								25,000	80,000	135,825	192,487	250,000	308,375	367,625	427,765	488,806	550,763	613,650	677,479	742,267	808,026	874,771	942,518	1,011,280	**$ 1,081,075**
Continued Success - Assume Same Level Investment as Prior 7 years																									
Private Investment each yr																									
Property Tax Increment									55,000	110,000	165,000	220,000	275,000	330,000	385,000	440,000	495,000	550,000	605,000	660,000	715,000	770,000	825,000	880,000	935,000
Sales Tax Increment									-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net to Downtown URA									55,000	110,000	165,000	220,000	275,000	330,000	385,000	440,000	495,000	550,000	605,000	660,000	715,000	770,000	825,000	880,000	935,000
Cumulative to Downtown									55,000	165,000	330,000	550,000	825,000	1,155,000	1,540,000	1,980,000	2,475,000	3,025,000	3,630,000	4,290,000	5,005,000	5,775,000	6,600,000	7,480,000	**$ 8,415,000**
Large Catalyst - 275,000 Square foot Mixed Use Project																									
$37.5 million in 2010	65% Residential 35% Commercial																								
Property Tax Increment										200,000	410,000	416,150	422,392	428,728	435,159	441,686	448,312	455,036	461,862	468,790	475,822	482,959	490,203	497,557	505,020
Sales Tax Increment										-	25,000	34,000	43,000	52,000	53,040	54,101	55,183	56,286	57,412	58,560	59,732	60,926	62,145	63,388	48,492
Net to Downtown URA										200,000	435,000	450,150	465,392	480,728	488,199	495,787	503,495	511,323	519,274	527,350	535,553	543,885	552,348	560,944	553,511
Cumulative to Downtown										200,000	635,000	1,085,150	1,550,542	2,031,270	2,519,469	3,015,257	3,518,751	4,030,074	4,549,348	5,076,699	5,612,252	6,156,137	6,708,486	7,269,430	**$ 7,822,941**
Medium Catalyst - 100,000 Square Foot Mixed Use Project																									
$13 million in 2010	60% Residential 40% Commercial																								
Property Tax Increment										70,000	145,000	147,175	149,383	151,623	153,898	156,206	158,549	160,928	163,341	165,792	168,278	170,803	173,365	175,965	178,605
Sales Tax Increment										-	7,000	9,500	12,000	14,000	14,280	14,566	14,857	15,154	15,457	15,766	16,082	16,403	16,731	17,066	13,055
Net to Downtown URA										70,000	152,000	156,675	161,383	165,623	168,178	170,772	173,406	176,082	178,799	181,558	184,360	187,206	190,096	193,031	191,660
Cumulative to Downtown										70,000	222,000	378,675	540,058	705,681	873,859	1,044,630	1,218,037	1,394,118	1,572,917	1,754,475	1,938,835	2,126,040	2,316,136	2,509,167	**$ 2,700,827**
Small Catalyst - 50,000 Square foot Mixed Use Project																									
$6.5 million in 2010	65% Residential 35% Commercial																								
Property Tax Increment										40,000	82,000	83,230	84,478	85,746	87,032	88,337	89,662	91,007	92,372	93,758	95,164	96,592	98,041	99,511	101,004
Sales Tax Increment										-	3,000	4,000	5,000	6,000	6,120	6,242	6,367	6,495	6,624	6,757	6,892	7,030	7,171	7,314	5,595
Net to Downtown URA										40,000	85,000	87,230	89,478	91,746	93,152	94,580	96,030	97,502	98,997	100,515	102,056	103,622	105,211	106,825	106,599
Cumulative to Downtown										40,000	125,000	212,230	301,708	393,454	486,606	581,186	677,215	774,717	873,714	974,229	1,076,285	1,179,907	1,285,118	1,391,944	**$ 1,498,543**

Assumption about growth in property values: In the projections above, appreciation is set at 1.5% per year. Over the last 20 years, property has appreciated at approximately 6% per year on average.

Assumption about growth in sales tax: The assumed growth rate is 2% per year. For new projects, it will take 5 years to reach full performance. For the existing URA, sales taxes will be positive in 2001.

Existing Base	**$ 5,026,779**
Continued Success	**$ 8,415,000**
Catalyst Projects 2010	**$ 12,022,311**
Total through 2027	**$ 25,464,090**

Financial Projections - Downtown Tax Increment



IV. Strategic Plan

Introduction:

The following subsections are based on Step 2 of the Brookings Institute's, "*Turning Around Downtown, 12 Steps to Revitalization."* The following sections provide a brief overview of the topic, followed by a review of our accomplishments and the next steps.

A comprehensive strategic plan for Downtown is really a collection of individual strategies that combined, work towards an economically vital downtown as articulated in the vision from Section II.

The subsections are as follows:

Downtown Character

Housing

Retail

Culture

Public Infrastructure

Employment

Community Involvement

Involvement of non-profit organizations

Marketing

Social Values

Revitalization Primer

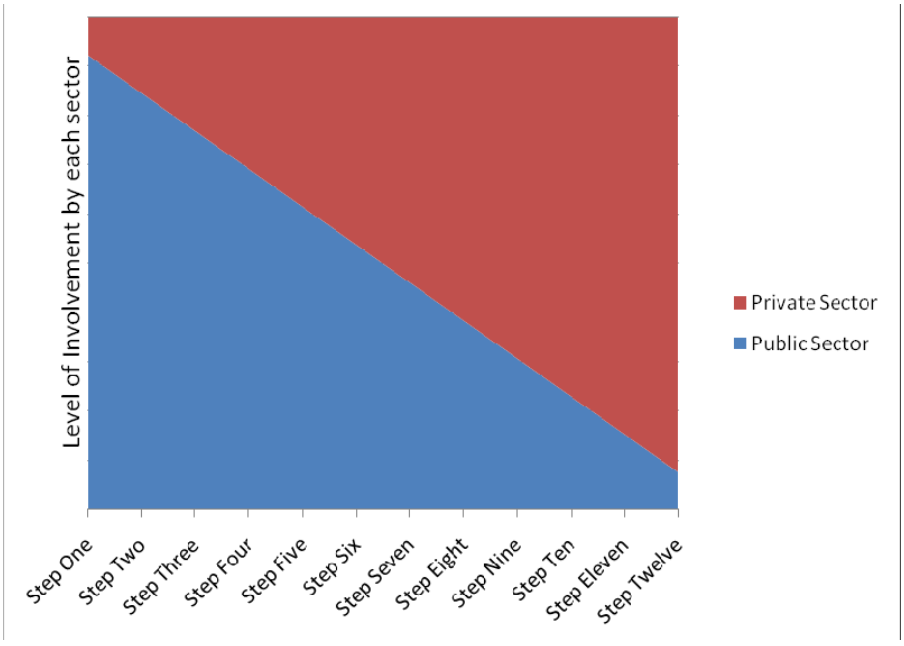
The LDT adopted the Brookings Institution's, "*Turning Around Downtown: Twelve Steps to Revitalization*," as a guide to direct its efforts. "12 Steps," identifies the best practice from case studies around the country to identify the steps needed for revitalization of downtowns. The steps are organized to build the public capacity to support private investment.

In the end, the overarching goal of this effort is to restore economic vitality to Loveland's Downtown.

The twelve steps are:

Step One – Capture the Vision
Step Two – Develop a Strategic Plan
Step Three – Forge a Healthy Private/Public Partnership
Step Four – Make the Right Thing Easy
Step Five – Establish Business Improvement Districts and Other Non-Profits
Step Six – Create a Catalytic Development Company
Step Seven – Create and Urban Entertainment District
Step Eight – Develop a Rental Housing Market
Step Nine - Pioneer and Affordability Strategy
Step Ten – Focus on For-Sale Housing
Step Eleven – Develop a Local-Serving Retail Strategy
Step Twelve – Recreate a Strong Office Market

The chart below is a depiction of the public sector involvement over the course of the twelve steps. Through the first six steps of the revitalization process, the public sector is responsible for building its capacity and priming the pump for private investment. This includes setting the vision and creating a climate for private investment, both through infrastructure and policies that recognize the unique challenges of downtown.



With each subsequent step, the level of public sector involvement diminishes as the economic vitality is restored and the economic market begins to function. As an example, the plan sug-

gests that by Step Ten, the public involvement is minimal and the emergence of for sale housing is more a bellwether for economic vitality. According to Step Ten, "*an established for-sale housing market is the ultimate test of whether the downtown has achieved critical mass*."

The following chapters address the vision for Loveland's Downtown from the 2005 Comprehensive Plan. In addition, the Strategic Plan elements are lifted directly from Step Two. The Action Steps below are organized by each strategic plan element and reflect both the accomplishments to date and the next steps to achieve long-term economic vitality for Downtown.

The plan is intended to guide the City's actions with regard to the Downtown for the next five years.

A. Downtown Character

Overview

According to the 12 Steps to Revitalization, "Downtown Character" is intended to address the physical aspects of a downtown, including the boundaries, densities and adjacent neighborhoods. The study recommends the highest densities that a community can support in the Downtown for both commercial and residential developments.

This strategic plan element does not define the social or aesthetic character of the Downtown. The intent is to define physical area and characteristics of the Downtown.

Accomplishments

The City has defined the boundaries of Downtown through a number of different policy efforts. The Downtown is roughly 200 acres centered on the historic Downtown on Fourth Street. The area is bounded by the Fairgrounds Park to the south, Eisenhower Boulevard to the north and Garfield and Washington to the west and east. The map to the right identifies the various boundary designations.

The boundaries include the General Improvement District (GID), the Urban Renewal Authority, the City's "Historic Downtown" fee exemption area and the B-e Zoning District. The boundaries have been established by the City Council to guide revitalization efforts.

The City's 2005 Comprehensive Plan update include the community vision for Loveland's Downtown. This was followed up by the 2007 Land Use Plan, which included the following Goals and Objectives for the Downtown:

> ***DTLU1:*** *The City recognizes that Downtown Loveland is a unique and historic commercial area. Development within downtown should be sensitive to the historic character of the area and reflect the guiding principles, goals, and objectives established for the Downtown contained in the*

General Plan Organizational Framework. To that end, the City encourages development in the Downtown that:

1A. creates reasons for people to frequent the Downtown through activities such as entertainment, recreational activities and special events;

1B. encourages the preservation of historic buildings and enhances the historic flavor of the Downtown;

1C. strengthens and diversifies the retail, economic and employment base in the Downtown;

1D. encourages the development of art, cultural and educational opportunities;

1E. ensures that downtown livability is enhanced;

1F. provides continued support for infrastructure and parking improvements; and

1G. encourages downtown locations for development of regional meeting and events facilities.

The 2007 Land Use Plan for the City of Loveland also designates the "Downtown Activity Center," for the following purpose consistent with the Downtown vision:

- (establish) Downtown business area
- Encourage preservation of historic character, redevelopment and infill
- Encourage diverse mix of land use, including arts-related uses

The "Downtown Activity Center" also recommends the following design guidelines for the Downtown:

- Emphasis on streetscape
- Outdoor seating encouraged in conjunction with plazas
- Preserve historic character

The General Improvement District was created to facilitate construction and maintenance of Downtown parking. The property owners placed a voluntary mill levy, which is budgeted towards the parking improvements.

The B-e Zoning district sets the maximum density for multi-family housing at 25 units per acre. For mixed use developments there is no maximum or minimum density for either residential or commercial development. As seen in the chart below, the maximum height for mixed use development is 60 feet, which translates to approximately five stories. The district contains infill and core design guidelines and facilitates a mix of uses. It allows and encourages an urban type of development with well-defined street facing facades, pedestrian amenities and shared parking.

The B-e Zoning district was approved by City Council in February of 2003 and has established development standards for Downtown for the last five years.

Schedule of BE Dimensional, Density, and Intensity Standards

	Minimum Yard Requirements[1, 2] (ft.)			Density / Intensity / Structure Height Restrictions				Minimum Building Separation (ft.)	
Use	Front[3]	Side	Rear	Open Space	Structure Height (ft.)	Min. Lot Area (sq. ft.)/ Max. Density[4]	Min. Lot Width (ft.)	face to face	end (side) to end
Single-family detached dwelling units	10[5]	5	15	None	35	6,000/ N/A	50	N/A	N/A
Single family attached dwelling units	5	5	10	None	35	6,000/ 25 du/ac	N/A	30	10
Two-family dwelling units	10	5	15	None	35	6,000/ N/A	50	N/A	N/A
Accessory Bldgs.	25	5	5	None	28	N/A	N/A	N/A	N/A
Multi-family dwelling units	10	15	15	30%	40[6]	7,000/ 25 du/ac	50	30	15
Non-residential & mixed-use (retail, office, institutional, and/or residential)	0	0	0	7.5%[7]	60	None	None	None	None
Off-street Parking Lots and Structures	8[8]	8[8]	0	N/A	60	N/A	N/A	N/A	N/A

Action Steps

With regard to this strategic plan element, the community has taken steps to define the physical characteristics of Loveland's Downtown and change policies to increase the density of Downtown. The City should begin to review the area directly adjacent to Downtown for its impact on the overall economic vitality.

The recommended action steps for this plan element are simple and brief.

1. The City of Loveland enacted the B-e Zoning district in 2003 and should engage in a comprehensive review and update.
    - The City has begun the process of reviewing the current B-e Zoning district and will be working with an ad hoc to committee to bring the recommendations to Council and the LDT.
    - Updates are forthcoming.
2. The City is working on zoning updates to surrounding areas, including a North Cleveland Overlay Zone and Planned updates to the R-3e zone to facilitate quality infill.
3. The City conducted an intensive historical survey of Downtown in 1999, and should consider plans to designate a voluntary downtown historic district pending the streetscape construction.

B. Housing

Overview

Housing, and housing density, is a critical component to a successful Downtown. According to the 12 Steps to Revitalization, "housing is two-thirds of the built environment." It requires the City to identify and support sites available for, "development and redevelopment since the land will have to be written down or creatively provided to make it financially feasible in the early years of the turnaround process."

Accomplishments

One of the biggest accomplishments for Downtown is the construction of Lincoln Place. The mixed use development that added 200 new housing units to Downtown, which are currently fully leased. The project was initiated through a Request for Proposal (RFP) process for a vacant site adjacent to Downtown. $1 million in incentives for infrastructure was provided in addition to $2 million in fee waivers, which supported the $26 million private investment.

Lincoln Place Before and After

The development project was a highly successful public/ private partnership that has changed the dynamic of the Downtown. The development has revealed a demand for market rate urban style housing that was not clear prior to its construction. As of January 1992, the residential units are 92 percent full with up to 25 percent of the residents forgoing automobiles for urban style living.

The City also assisted the Lincoln Hotel with a renovation of the façade and interior housing units. The project, while not adding many new units to Downtown, will significantly improve the quality of affordable housing in Downtown. Park Place Plaza (1st and Railroad) is the first for-sale housing development with 16 new units of housing in the Downtown.

Guiding Principle 2: *Encourage the development of a full range of housing types and a mix of housing densities throughout the city that are convenient to employment and quality public and private facilities and that meet the needs of all age and socio-economic groups.*

In 2004, the Department of Local Affairs in partnership with the City of Loveland completed a citywide housing study. The study indicated that a majority of homes in the City are single family, and the median rent per unit is $675.

The study listed the following as the greatest demand:

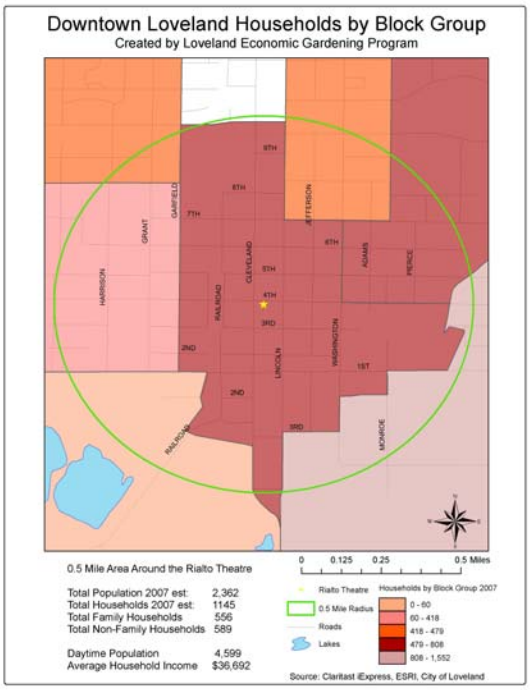
- In-commuters who would like to live in Loveland would generate demand for an additional 4,832 housing units by 2010. Of these in-commuters, 87% want to buy. These employees have higher incomes than current residents, with 58.5% earning 120% or more of the AMI.
- New jobs are expected to generate demand for an additional 2,040 housing units. About 39% of these units could be affordable to households earning 120% or less of the AMI and 25% for those at 80% to 120% of AMI.
- Retirees are expected to generate demand for an additional 1,718 homes by 2010. About one-third are likely to come from households earning 50% or less of the AMI and 28% at 50% to 80% of the AMI.

The statistics are consistent with the City's 2008 projection for 19,000 new residents and over 8,000 housing units in the next ten years.

Action Steps:

There is a clear need for greater housing density in Downtown Loveland. The current housing density in the core of Downtown, which is a ½ mile radius from the Rialto Theater, is approximately two units per acre, which is the equivalent of the zoning density limits the City established for "estate residential," primarily a rural housing classification.

Within a half mile of the Rialto Theater, there are 1,145 housing units. This represents a 15 minute walk from downtown, generally accepted as the core area. According to the housing study, there is a demand for close to 5,000 units of new housing in the



City by 2010. If the Downtown could capture even 20 percent of the demand or 1,000 units, it would almost double the current housing density.

With the City projecting up to 8,000 new housing units, even if the Downtown could capture 10 percent of the growth, it would nearly double the current housing density. In fact, 20 percent of housing construction in Loveland is multi-family, 13 percent is townhome or attached, which suggests the Downtown could add even more housing.

According to the Urban Land Institute's, "Emerging Trends in Real Estate for 2009," the market for urban style housing is increasing and should be a strong market in the coming years. The report indicated that most baby boomers are downsizing as a result of gas prices, tightening of the credit market and a desire for an urban experience. As a result, urban infill and mixed use projects are seeing renewed interests from developers.

A study from Salem, Oregon suggests that for every new housing unit of Downtown housing at the median household income results in $5,000 of retail spending in the Downtown annually. Therefore, if the Downtown were to add 1,000 new units of housing over the next ten years, the fiscal impact seen in the chart below. 1,000 new units is the equivalent of doing a Lincoln Place construction every two years.

@ 4 housing units per acre

Year	New Housing Units	Retail Spending	Retail Sales Tax Collection (.03)
1	100	$500,000	$15,000
2	100	$1,000,000	$30,000
3	100	$1,500,000	$45,000
4	100	$2,000,000	$60,000
5	100	$2,500,000	$75,000
6	100	$3,000,000	$90,000
7	100	$3,500,000	$105,000
8	100	$4,000,000	$120,000
9	100	$4,500,000	$135,000
10	100	$5,000,000	$150,000
	1,000 Total		$825,000

@ 10 housing units per acre

Year	New Housing Units	Retail Spending	Retail Sales Tax Collection (.03)
1	500	$2,500,000	$75,000
2	500	$5,000,000	$150,000
3	500	$7,500,000	$225,000
4	500	$10,000,000	$300,000
5	500	$12,500,000	$375,000
6	500	$15,000,000	$450,000
7	500	$17,500,000	$525,000
8	500	$20,000,000	$600,000
9	500	$22,500,000	$675,000
10	500	$25,000,000	$750,000
	5,000 Total		$4,125,000

The chart above indicates that if the Downtown housing density doubled over the next ten years, retail spending in Downtown would increase by $5 million or 13 percent of current sales. At 10 units per acre (medium density), the retail spending in Downtown would increase by 65 percent or $25 million.

With regard to the Urban Renewal Authority, the increase in Tax Increment would be as follows, assuming a 0.5 percent growth in sales tax and 1,000,000/square feet of housing at four units per acre and 5,000,000/square feet at 10 units per acre with property taxed according to current assessor standards:

Impact on URA	Sales Tax Increment	Property TIF	Annual TIF Total
4 units per Acre	$71,234	$300,075	$371,309
10 units per Acre	$671,234	$1,522,500	$2,193,734

Recommendations:

1. Increase housing density in the core of Downtown to a minimum of four units per acre or to increase the number of housing units by 1,000 over the next ten years.

    - The City should identify methods both policy and incentives to support new Downtown housing.
    - Develop an implementation/business plan to add new housing that can be approved by City Council.

2. Identify development sites that could support new housing units, with emphasis on the Historic Downtown Core, primarily ½ mile radius from the Rialto Theater.

    - This includes land assemblage where vertical, mixed-use development is appropriate.
    - Underutilized sites adjacent to Downtown that can be converted to multi-family.
    - Buildings with potential for rehabilitation, possibly using historic preservation funds or affordable housing funds.

C. Retail

Overview

The purpose of the retail section is to determine the type of retail concentrations that the Downtown market could support. The outcome is to create regional destinations that can serve both residents in Downtown and the region. The City has very little control over tenancy in Downtown. However, there are clear decisions the City makes in the areas of on-street and public parking, zoning, improvements to the physical environment, and facilitation of private sector investment and stakeholder activity. The City will require partners in this endeavor, including an active downtown association or Business Improvement District.

Developing a destination entertainment district is an early and ongoing goal to support Downtown revitalization; it is listed as Step 7 in the Twelve Steps to Revitalization and serves to generate interest in investing in the downtown district. The Twelve Steps also recognize the importance of having a partner organization, with Step 5 being to "Establish Business Improvement Districts and Other Non-Profits." The BID and other non-profits are a downtown's management team—ensuring its many complex elements work together to create a safe, attractive, unique, and well-functioning place.

Implementation strategies must be tailored to Loveland. The Downtown may include performing arts venues, movie theaters, restaurants, specialty retail, live entertainment, festivals and small events, arts, and nightlife. This is supported by the 2008 Market Analysis, which identifies specific opportunities for growth among Loveland's demographics.

Goal 13.5: Retain and expand existing businesses *by maintaining a positive business and entrepreneurial climate within the community, proactively supporting the development of local businesses, and strengthening any gaps related to business needs.*

Accomplishments

Downtown has an attractive historical and artistic character with the potential for a pleasant main street environment on Fourth Street off of State Highway 287. However, the Downtown Urban Renewal Authority has seen negative retail growth over the past six years. From the 2002 base year to 2008, sales tax collection has fallen 21%, from $1,400,000 to $1,116,000. Sales tax collected in the downtown area represent approximately 3.5% of total city sales tax revenue.

It will be necessary to turn this performance around if a healthy retail and entertainment district is to be established. Sales tax revenue would also benefit the Urban Renewal Authority by providing tax increment financing for needed improvements downtown.

2008 Market Survey and Analysis

The City of Loveland conducted a Retail Leakage Analysis in 2008. The City also engaged University of Northern Colorado to conduct a survey of Loveland residents to determine their perceptions of downtown; how they spend their money Downtown and elsewhere; and what businesses they would like to patronize downtown. The Market Assessment confirmed that there is a restaurant destination district developing in Downtown; and that there are opportunities in other retail segments. The study also found that while the Downtown was generally perceived as walkable, safe and having a nice atmosphere, there is a perception that parking is inconvenient and there is a lack of dining, entertainment and retail options. While preliminary results have been presented, the full Market Analysis will be completed in March 2008 and recommendations updated at that time.

2008 Parking Assessment and Recommendations

In 2008 the City completed a Downtown Parking Assessment and Recommendations by Rich and Associates. The parking study has implications for the current retail environment in Downtown. The Parking Study found:

- There is sufficient parking to meet current demands, but that signage, management and enforcement, and lot improvements (including lighting) were needed;

- Long-term use of prime parking spaces was a problem for the retail uses;
- Re-occupancy of existing vacant buildings, as well as future redevelopment, will require additional parking supply.

In 2008-2009, the City is making $115,000 of improvements to signage and lots, with much of this funding coming from General Improvement District #1 reserves.

Business Assistance Programs

In 2005, the City partnered with the Loveland Center for Business Development (replaced by the Small Business Development Center) to establish an Economic Gardening program to provide data and analysis to small businesses.

Downtown Marketing and Events

In 2006, the City also helped establish Engaging Loveland to put on events throughout the City. Downtown events such as SummerFest and the Cherry Pie Festival drew 10,000 people to Downtown. (Also See Section I – Marketing)

Downtown stakeholders also worked through a new organization, the Fourth Street District, to coordinate marketing efforts, host small events, and manage the monthly Night on the Town event. The Market Study revealed interest among consumers in expanded holiday events, live music, and a downtown Farmers' Market.

Action Steps

The Action Steps are based on the preliminary Market Assessment which will be complete in March 2009.

1. Continue to follow the recommendations within the Parking Assessment:
    - Signing and improving parking facilities downtown.
    - Providing for high-turnover customer parking in the cost convenient areas, and safe and comfortable longer-term parking elsewhere.
    - Enforcing parking while implementing the "courtesy ticket" program; and marketing parking.
2. Build on Downtown's Historic and Artistic Character
    - Continue to examine and reduce barriers to reuse and re-development.

- Continue to offer and periodically review the façade program to create a positive environment in Downtown.
- Work with building owners to help ensure that rentable spaces do not have significant code, building, fire, and utility issues.

D. Downtown Culture

Overview

According to the 12 steps to Revitalization, "Downtown Culture" determines which one-of-a-kind cultural facilities should be downtown and how existing facilities can be strengthened. In the City of Loveland the existing City-owned facilities are: the Loveland Museum/Gallery and the Rialto Theater. In addition, the Cultural Services Department administers the City's Art In Public Places Program, which places art throughout the City, including downtown. The mission of the Cultural Services Department is *to promote and enrich quality of life by providing diverse cultural experiences through history, all forms of artistic expression and in community celebration.* There are also private art studios and galleries which will not be addressed in this report.

Accomplishments

In Downtown Loveland, there are two Cultural amenities that define Downtown as the Cultural heart of Loveland, the Loveland Museum/Gallery and the Rialto Theater. Both of these facilities serve the Cultural needs of Loveland residents are an attraction to non-residents.

Loveland Museum/Gallery

Brainchild of author, collector, curator and mountain guide Harold Dunning, who began collecting pioneer artifacts and stories as early as 1919, the Loveland Museum has been operated by the City since 1945. The Osborn home was razed and the Museum was built on the site in 1956; an art gallery was added in 1970. An expansion project, which doubled the size of the Museum, was completed in 1992, providing increased areas for programs, exhibits and collection storage. After this addition, the building was transformed from a history museum with a very small gallery space into a history museum and an art museum—and the name changed from Loveland Museum to Loveland Museum/Gallery. Art, craft and history classes and lectures for both youth and adult art programs grew dramatically when space became available and continue to flourish. Community-wide celebrations are also an important component of our programming—all

of which are held downtown: Foote Lagoon Concerts, Cherry Pie Celebration, Halloween Fun Festival, Community Sing-a-long, Dancing Through History and the Holiday Tree Lighting.

The Loveland Museum/Gallery is a place all ages enjoy and experience. Where things are always changing: exhibits, perspectives and faces. It offers new things to consider and consideration of old things. It is a place where contemporary art that inspires and challenges can be seen next to significant historical objects. Both are a mirror to the forces that shape and change our community and our society.

The Museum continues to grow with the community and planning for another expansion began several years ago with the purchase of the adjacent building/property (dubbed The Sequel), formerly Home State Bank. The Sequel is presently used for classes and collections storage, which could no longer be adequately accommodated in the main building. (The additional collection space has recently allowed us to acquire hundreds of historical objects from the Loveland Fire Department.) In 2008, a space allocation assessment began and the planning process continues.

Rialto Theater

Built in 1920 as a silent movie theater and vaudeville house, the historic Rialto Theater has become the cultural anchor of Loveland's downtown "main street". The Rialto operated as a movie theater and community gathering place until it was converted into a mini-mall in 1977. The stage was enclosed, the ceilings dropped, the balcony built over and retail shops and offices occupied the space once home to Hollywood film stars and live performances.

The mini-mall struggled along until the mid-1980s, when an economic development study conducted by Loveland's Downtown Development Authority identified the old Rialto Theater as a potential catalyst for the redevelopment of the struggling downtown area. The DDA purchased the building in 1987 and began raising funds to restore the Rialto to its 1920 appearance and to its original use as a theater.

A non-profit, community based organization, The Friends of the Rialto, was formed to assist with the renovation of the theater. The renovation project lasted nine years, involved thousands of hours of volunteer work and the raising of $1.4 million dollars. In February 1996, the Rialto Theater reopened as a performing arts center in the heart of downtown Loveland. The Rialto became a facility of the City of Loveland and part of the city's Cultural Services Department in 1998.

Today, the Rialto seats 450, has state-of-the-art sound, lighting and projection equipment, an orchestra pit, stage and computerized box office. The theater is home to most of Loveland's performing arts organizations, hosts nationally (and internationally) touring performers presents independent and art films and is used by the community for fund-raising events, business meetings, graduations and weddings.

In 2008, the Rialto held 361 events attended by approximately 46,000 people. Over the past five years, a number of restaurants have opened within two blocks of the theater which are often packed with theater patrons and the downtown area sees increased activity when events are held at the Rialto.

Action Steps

The recommended action steps for the Cultural Services Department are based on Objective 7.2.1 in the City's Comprehensive Plan: *Provide cultural, visual and performing arts facilities necessary or desirable to meet the future needs of the community.* To accomplish this as it relates to downtown we recommend the following:

1. Expand existing cultural and visual arts facilities.
    a. Work with the Cultural Services Board, the community and City Council on Museum expansion plans.
    b. Expansion of the Rialto Theater support spaces to accommodate increased usage for business meetings, social events, and larger performance groups and needed backstage space.
2. Develop TAAP (The Arts Advocacy Program) to provide additional public art downtown.
3. Create a Downtown cultural district to support the arts and culture.
4. Continue to assess the arts' contribution to Loveland's economy and examine ways to promote the cultural institutions and activities as an economic engine for downtown.

E. Public Infrastructure

Overview

According to the 12 Steps to Revitalization, the essential issues for Downtown include water and sewer improvements, transit, parking, cleanliness and improved pedestrian experience. To attract development and increase the value of buildings in Downtown, it is critical to ensure that the public infrastructure meets the needs of prospective development projects, creating an environment that is conducive to densification of housing and businesses and the creation of a vibrant destination.

The infrastructure is not only limited to physical projects. It also includes the public capacity to address the challenges with mechanisms such as the Urban Renewal Authority, Business Improvement Districts and other functions.

Accomplishments

In recent years, the City has made several improvements to infrastructure in the downtown. In the last five years, the City undertook a storm-water improvement project that significantly reduced flooding in the downtown area. The City also completed an approx. $300,000 demonstration streetscape project on Lincoln Avenue between 4th Street and 6th Street, adding street trees, furniture, decorative paving and pedestrian bulbouts. More recently, the City paved the East 4th St. & Railroad Ave. lot with a pervious pavement and is undertaking $110,000 of improvements to parking lot conditions, lighting and signage, mainly using GID #1 reserves. The City has operated an alley paving program that has paved numerous alleys in the Downtown area.

As part of the City's effort to improve the infrastructure in Downtown, the City hired a consultant to develop plans for Downtown infrastructure improvements for the scope of work which includes building face to building face on 3rd, 4th, 5th and 6th streets; "Kitchen Alley" and the possible Mr. Neat's Alley improvements; gateway and wayfinding signage; and a potential public plaza. City staff developed and estimated additional costs for public infrastructure (utilities) that exists in alleys parallel to 4th Street. The proposed plan was presented to City Council at a Study Session on February 10, 2009. Final action on the plan is anticipated in 2009.

In addition to streetscape, alley and signage improvements, City staff and the Downtown Team have looked at a variety of desired infrastructure improvements, including possible locations for surface or structured parking; utility improvements to support intensification of business use; and railroad crossing improvements needed for a quiet zone that could faciliate housing density.

To effectively manage infrastructure in any area of the city, it is essential to develop and maintain a living strategic infrastructure master plan. The plan must include knowledge of the current state of affairs, goals for future state, plans and funding for new capital construction, maintenance of existing assets, and contingency for unforeseen events that require intervention to prevent further deterioration.

The key components of an infrastructure Master Plan include:

- Water Infrastructure
- Power Infrastructure
- Sanitary Sewer Infrastructure
- Stormwater/Drainage Infrastructure
- Pavement Management
- Sidewalk/Concrete Curb & Gutter Management
- ADA Compliance Management
- Vehicle Traffic Planning
- Bicycle & Pedestrian Safety/Flow Planning
- Lighting (Vehicle/Pedestrian Scale) Infrastructure
- Transit Management Planning
- Parking Facilities and Management
- Landscape planning
- Water feature planning/infrastructure
- Art space planning/infrastructure
- Upgrade plans for existing infrastructure that is substandard
- Railroad crossings/quiet zone

Short and long term maintenance plans must be indentified and supported with financing and staffing. These include, in addition to items above:

- Street sweeping
- Snow/ice management
- Striping/Paving Plans
- Event support
- Landscape maintenance
- Vandalism/graffiti maintenance
- Development Upgrade Support

- Customer support

Currently the City of Loveland has achieved the following status in each category. The future state in some areas is still undermined as current project work is being completed to establish future infrastructure plans.

The chart on the following two pages includes detailed status for each category.

✓ - Complete ✋ - In Process/partially funded 👎 - Deficient/Incomplete	Assessment of Current State	Capital Plan Current State	Maintenance Plan Current State	Maintenance Fully Funded	Contingency	Future Upgrade Plans Minimal Use Changes	Funding	Future Upgrade Plans Significant Upgrades	Funding
Infrastructure Plans									
Water Infrastructure	✓	✓	✓	✓	✋	✓	✋	👎	👎
Power Infrastructure	✓	✓	✓	✓	✋	✓	✋	👎	👎
Sanitary Sewer Infrastructure	✓	✓	✓	✓	✋	✓	✋	👎	👎
Stormwater/Drainage Infrastructure	✓	✓	✓	✓	✋	✓	✋	✋	✋
Pavement Management	✓	✓	✓	✋	✋	✋	👎	👎	👎
Sidewalk/Concrete Curb & Gutter Management	✓	✋	✋	👎	👎	👎	👎	👎	👎
ADA Compliance Management	✓	✋	✋	👎	👎	👎	👎	👎	👎
Vehicle Traffic Planning	✓	✓	✓	✓	✓	✋	✋	✋	✋
Bicycle & Pedestrian Safety/Flow Planning	✋	✋	✋	👎	👎	👎	👎	👎	👎
Lighting (Vehicle/Pedestrian Scale) Infrastructure	✋	✋	✋	👎	👎	👎	👎	👎	👎
Transit Management Planning	✋	👎	👎	👎	👎	✋	👎	👎	👎
Parking Facilities and Management	✋	👎	👎	👎	👎	✋	👎	✋	✋
Landscape planning	👎	✋	✋	✋	👎	👎	👎	👎	👎
Water feature planning/infrastructure	NA	NA	NA	NA	NA	NA	NA	NA	NA
Art space planning/infrastructure	✋	✋	✋	✓	✋	✋	✋	✋	👎
Upgrade plans for existing infrastructure that is substandard	👎	👎	👎	👎	👎	👎	👎	👎	👎
Railroad Crossings / quiet zone	✓	✋	✋	✋	✋	✋	✋	✋	✋
Maintenance Plans									
Street sweeping	✋	✓	✓	✋	✋	✋	👎	👎	👎
Snow/ice management	✓	✓	✓	✋	✋	✋	✋	✋	✋

Pavement Planning	✓	✓	✓						
Electrical maintenance									
Event support									
Vandalism/graffiti maintenance									
Water/Sewer Maintenance	✓	✓	✓	✓		✓			
Stormwater Maintenance	✓	✓	✓	✓		✓			
Development Upgrade Support									
Customer support									
Landscape maintenance	✓		✓						
Parking lot maintenance									

Definitions

Assessment of Current State	Complete review has been performed of existing assets, value, deficiencies, costs.
Capital Plan Current State	A future capital plan has been developed to support the long term investment in the asset based on the current utilization with minimal future changes.
Maintenance Plan Current State	A future maintenance plan has been developed to support the asset based on the current utilization with minimal future changes.
Maintenance Fully Funded	Is the maintenance plan fully funded in the current City/private funding stream?
Contingency	Is a contingency funded in the event of major unexpected short term repairs beyond the capital or maintenance plans?
Future Upgrade Plans Minimal Use Changes	Have plans been developed for future upgrades to support minimal changes in use?
Funding	Is the **Future Upgrade Plans Minimal Use Changes** Plan fully funded?
Future Upgrade Plans Significant Upgrades	Have plans been developed for future upgrades to support significant changes in use/upgrades?
Funding	Is the **Future Upgrade Plans Significant Upgrades** Plan fully funded?

In addition to the physical infrastructure, the public infrastructure includes the identifying and supporting the public capacity to meet its challenge.

Some of the functions are listed and discussed below:

Loveland Urban Renewal Authority

In September, 2002, the City established the Loveland Urban Renewal Authority and it's Downtown Project Area (commonly called the "Downtown URA"). The Downtown URA encompasses approximately 230 acres between Fairgrounds Park on the south, HWY 34 on the north, Garfield Ave. on the west, and Washington Ave. on the east.

In 2005, a separate URA project area was carved out for the Lincoln Place catalyst Project. The Finley's Addition/Block 41 project area (commonly called the "Lincoln Place URA") was created in order to guarantee funding for the public improvements at Lincoln Place.

General Improvement District #1

A general improvement district is generally used to fund improvements above and beyond what may be provided in other parts of the City. General Improvement District #1 was created in 1967 to fund acquisition of land and development of surface parking lots, as well as pedestrian improvements in the downtown. Bonds have been backed by the GID both after 1967 and in the 1980s; currently, however, there are no outstanding bonds. City Council serves as the GID Board of Directors.

GID #1 levies a 2.676 mill property tax on all properties within the GID. GID #1 revenue is approximately $37,000 annually, with an additional $6,000 currently diverted as Tax Increment Financing. While likely sufficient to maintain existing improvements, this fund is not sufficient to create and maintain significant new improvements.

Because of the GID's role in creating and maintaining public shared parking facilities, the City's Zoning Code exempts GID #1 properties from compliance with most parking standards. Several properties within the Downtown B-e zone have opted in to the GID to facilitate redevelopment.

In 2008, $10,500 was appropriated for maintenance of downtown facilities, and $12,000 for maintenance of planter beds. Extra funds went into reserves. Recently, reserves have been used to help fund the demonstration streetscape project on Lincoln Avenue and to improve conditions in the existing lots (2008-2009) which suffered from deferred maintenance.

As part of the downtown planning effort, it will be necessary to outline future plans for the GID #1, including how the money is to be spent; use for maintenance vs. use for new facilities; and desired future levels of funding.

Business Improvement District

Establishing a Business Improvement District (BID) or similar organization is considered Step 5 of the Twelve Steps to Revitalization.

A BID is a district that under Colorado law can levy an assessment or property tax on commercial properties. BID's are generally formed to take on roles such as marketing, events, recruitment and retention that Cities don't perform; and to provide for a level of services in areas such as upkeep and beautification above and beyond what would normally be provided by the City. Thus a BID serves as a "mall manager" to establish public capacity to manage ongoing programs aimed at helping the downtown retail district to thrive. Not every downtown has a BID, but this is a necessary role that may be played by various factors, including non-profit downtown organizations and occasionally DDA's. According to the Twelve Steps, "the BID and other non-profits are a downtown's management team—ensuring its many complex elements work together to create a safe, attractive, unique, and well-functioning place."

By its nature, a BID is initiated and managed by downtown stakeholders, with some level of oversight by the City. This gives a BID a level of independence from City government and a level of responsiveness to stakeholder needs. A BID is therefore able to undertake the types of projects that City government is not suited for: marketing of the retail district; holding events; recruitment and retention of retail and other businesses. Partnerships are often forged between a downtown URA or DDA and a BID for specific programs.

Formation of a BID will have to address the interests of the existing downtown groups, the Downtown Loveland Association (DLA) and the Fourth Street District merchants' association.

Downtown Zoning and Regulatory Policy

The Twelve Steps to Downtown Revitalization advises government to set the stage in part by *Making the Right Thing Easy (Step 4)*. Previous planning efforts, the 2005 Comprehensive Plan and this Strategic Plan set the vision for a vibrant downtown where new mixed-use development, urban in form and scale, occurs alongside rehabilitation and re-use of historic buildings. City regulations including zoning, transportation and building codes, adequate community facilities ordinances, and fee structures have a direct impact on the ability of the private sector to create successful projects on challenging infill sites and in existing buildings.

The City adopted the downtown Established Business ("B-e") Zone in 2003, and will be updating this zone in 2009 to ensure it if effective and meets the downtown vision. The update will include a review of related policies and how they impact redevelopment potential. The City adopted the International Building Code which provides some flexibility for rehabilitation of historic buildings. The City also adopted in 2000, fee waivers for the "Historic Downtown Loveland" area, reflecting the City's desire to redevelop this area and the fact that many parts of infrastructure – such as the road system, fire stations, and other services – are already in place.

Action Steps

Public Infrastructure is a critical component of the Downtown Revitalization process. As the City seeks to attract private sector investment, it will be important to understand the infrastructure needs in Downtown that will be required to support development.

1. For each of the key components listed in the table above:
    - Update and map current infrastructure capacity for the Downtown. The maps for water and power service have been updated.
    - Identify future needs and associated cost estimates.
    - Identify alternatives , options and cost estimates for varying levels of density as per recommendations related to housing (Section B) and employment. (Section F)
2. Establish infrastructure priorities for the Downtown based on the above action step.
    - Identify potential phases and cost estimates.
    - Schedule and budget funds for infrastructure improvements, with priority to targeted development sites in Downtown.
3. Develop a plan for GID management, including: goals of the GID; anticipated revenues; anticipated maintenance costs for existing and future public facilities; and an evaluation of the sufficiency of GID revenue to meet future needs.
4. Look to the downtown community to create an organizational framework to fulfill the roles identified for BID's or similar organizations.
5. Periodically review and update zoning and related regulations to ensure effectiveness and to facilitate implementation of the downtown vision.

F. Employment

Overview

With regard to employment, best practices suggest that strategies should focus on expansion and retention of businesses that provide "export" employment, businesses that cater to areas outside of the Downtown. In addition, the strategy should focus on concentrations of employment that serve the greater region.

The City has an employment strategy that is inclusive of all areas and based on attracting primary jobs. The plan does not call for a specific "Downtown" employment incentive from the City. Rather, we hope to educate property owners and potential employers of the existing resources currently available from the City to support employment growth. Also, since the Downtown is a Larimer County Enterprise Zone, there are some tax advantages for businesses that locate in Downtown. These tax advantages can be accessed through the Northern Colorado Economic Development Corporation.

While an enhanced Downtown would likely improve the overall economic climate for the City, quantifying these effects are difficult to capture. It is essential that the strategy for Downtown focus on improvements to buildings so that employers have the option of locating Downtown. Under the 12 Steps, the final step is the creation of a vibrant office market as a result of a restored economic vitality. As such, we do not expect to see tremendous gains in employment in Downtown right away, but it will be an indicator of long-term success.

Accomplishments

Economic Vitality Strategy for Downtown Loveland

In September 2008, the Loveland City Council adopted a "City-wide" Economic Development Policy. This policy clearly defines the guidelines the City Council will follow when evaluating request for business development assistance and economic incentives from the City.

The Council will consider financial assistance in the form of fee waivers, fee deferrals, and cash for primary job creation, job training grants and sales tax rebates. The policy offers assistance not only for "primary job creation," as defined in the policy but also provides assistance for retail and commercial development.

Larimer County Enterprise Zone

Downtown Loveland is located in the Larimer County Enterprise Zone. Businesses located in this zone may be eligible for State of Colorado income tax credits for renovation of buildings, creation of jobs, provisions of benefits to employees and other incentives as adopted by the State Legislature. Businesses are encouraged to visit the State of Colorado Office of Economic Development website at:

www.AdvanceColorado.com/EnterpriseZone.

Action Steps

As mentioned, the City currently has an employment incentive policy in place.

Recommendations:

1. Continue to provide incentives consistent with the current policy to attract businesses to Downtown Loveland.
2. Focus on improving the real estate in Downtown to facilitate employment growth.
3. Downtown buildings need to include better quality office space to attract employers.
4. This improvement should take place over time in conjunction with new projects and development.

G. Community Involvement

Overview

The purpose of this element is to ensure that residents have opportunities for input and involvement. The intent is to help educate the public about the needs of Downtown and to increase participation to ensure community buy-in for any Downtown revitalization plan.

City of Loveland Guiding Principle 18:

Engage, empower, inform, and educate citizens through meaningful public participation processes that encourage community and stakeholder collaboration in the decision-making process.

18.2: Engage the public in active participation in planning-related initiatives.

18.3: Empower the public (individuals, institutions and organizations) to form partnerships with government and take the lead in solving problems.

18.4: Inform and educate the community on relevant issues and governmental activities affecting the community.

18.5 Maximize the use of those tools that allow for two-way communication between the public and city government.

Accomplishments

The City included extensive community input in the 2005 update of the Comprehensive Plan.

The City formed the Loveland Downtown Team in 2006 to coordinate activities for Downtown and advise the City Council. The Loveland Downtown Team is made up of members of the City Council, merchants, property owners, the Community Foundation and local residents. The group meets regularly, publishes minutes and provides for public input. The meeting minutes and schedules are published online.

The group has also contributed content to Loveland's Talking, the public access channel for Loveland. The show included members of the LDT discussing issue pertinent to Downtown.

Action Steps

1. Continue the Loveland Downtown Team as a study and advisory body on downtown issues, and seek to increase public involvement, where appropriate.

    - Ensure that all major stakeholders are represented at the Downtown Team: merchants; restaurateurs; property owners; downtown residents; cultural and civic organizations; and the community-at-large;

    - Provide opportunities for education and training resulting in informed decision-making.

2. Inform and educate the community on new and ongoing downtown projects:

    - Be available to give presentations to various community groups;

    - Use local newspapers, Utility News, Channel 16, and other resources to keep citizens updated on new and ongoing projects;

    - Maintain up-to-date information on the City's website, regarding downtown issues;

    - Create a "Very Interested Citizens'" e-mail list, with the ability to sign up on the City website;

    - Maintain up-to-date downtown stakeholder mailing lists;

    - Partner with downtown groups to provide information at event such as festivals or the monthly Night on the Town.

3.. Provide opportunities for citizens and community groups to contribute to the downtown revitalization efforts

    - Establish and maintain partnerships with downtown organizations, where appropriate;

    - Consider a broad range of organizations, including civic clubs and arts organizations;

    - Ensure all new downtown initiatives have well-developed public outreach components that include citizen and stakeholder education and input prior to key decision points. Involve a full range of stakeholders, and seek input from youth, senior and disabilities advisory commissions where appropriate.

H. Involvement of Non-Profits

Overview

The "Twelve step plan indicates that the Involvement of Non-profit Organizations is an important component of the revitalization effort. Non-profits fill valuable roles including business improvement districts, transportation and parking advocacy, as well as ad hoc committees, and coordinating the arts and cultural activities.

As Downtown Loveland engages in the revitalization process, the participation of non-profits will be critical both to build community support and to serve as catalysts for Downtown events and marketing, promoting the arts and culture, and other related activities. The non-profit organizations serve an important role in moving the revitalization of Downtown Loveland in a positive direction.

Accomplishments

There are many non-profit organizations currently active in Downtown Loveland. Each organization has a specific mission and purpose, and while some of the organizations are focused on the City at-large, all have a strong interest in a vibrant Downtown Loveland.

The non-profits include:

The Downtown Loveland Association (DLA)
The Association of Downtown Merchants (ADM)
The Community Foundation
The Citizens for a Vibrant Downtown
Engaging Loveland
The Loveland Chamber of Commerce
Loveland Small Business Development Center
Loveland High Plains Art Council

Recently, the DLA, the ADM, the Community Foundation and the Citizens for a Vibrant Downtown joined together to coordinate their effort to revitalize Downtown. This coordination effort is a positive step with regard to the Downtown Revitalization efforts.

Below is a discussion of each of the organizations and their role and contribution to Downtown Loveland:

The Downtown Loveland Association

This organization was modeled on the National Main Street Center. The DLA is an all volunteer non-profit community association committed to revitalizing the heart of Loveland. Their goal includes redeveloping Downtown Loveland, promoting a sense of community and providing a unified voice.

The DLA has partnered with many groups in Loveland to push for revitalization of Downtown Loveland. They have worked on a design project to make empty buildings look more attractive and they are developing a community wide Arts Guide. In addition, they work closely with both Engaging Loveland and the Association of Downtown Merchants to sponsor and promote events in Downtown Loveland.

Association of Downtown Merchants (ADM)

The Association of Downtown Merchants was founded in 2008. It came out of the Business Vitality committee of the DLA. ADM solely focuses on developing and marketing small businesses in downtown Loveland, by stretching the marketing dollars of downtown Loveland and selling it as one location. The group strives to create a vibrant pedestrian friendly shopping area and recently branded the area as *the 4th Street District* with dynamic retailers and sidewalks filled with patrons and shoppers.

They currently manage the Night on the Town event that is now in its 5th year. The effort brings Downtown businesses together to help marketing and is currently in the process of creating a gift card that can be used at all the merchants in the 4th Street District.

Community Foundation of Northern Colorado

The Community Foundation of Northern Colorado is a nonprofit, public charity that promotes local philanthropy, convenes community initiatives, and supports nonprofit organizations. By focusing on philanthropy with a kind heart and strategic mind they:

- Help people give more efficiently and effectively
- Help donors extend giving beyond their lifetime
- Connect donor passions with nonprofit needs
- Strengthen local communities by encouraging charitable giving

- Provide donors with a low-cost alternative to a private foundation

The Community Foundation became engaged in the revitalization effort in 2008. The foundation continues to work as a community convener to help unify the downtown groups and educate the public on the issue of revitalizing Downtown Loveland.

The Community Foundation put on Destination Downtown Loveland in November of 2008. They brought in Bill Hudnut of the Urban Land Institute to discuss the revitalization of Downtown Loveland. They have also vowed to continue this series of events by putting on forums for the public to learn about issues that face Downtown Loveland.

Citizens for a Vibrant Downtown Loveland

This group is the newest of the downtown groups and was created to build broad community support for the revitalization effort. This group is intended to positively promote and educate the community on issues related to Downtown Loveland.

The group recently circulated a petition expressing support for Downtown. In addition, they are partnering with the Community Foundation on the Destination Downtown Loveland Education series, and have worked to help generate a buzz within the community about downtown with press conferences and other media events.

Engaging Loveland

Engaging Loveland is a community wide organization whose mission is to promote the City of Loveland. While their mission is not specific to Downtown, Engaging Loveland supports and promotes Downtown events and activities. Also, staff from Engaging Loveland serves on the Loveland Downtown Team.

Loveland Chamber of Commerce

The Chamber is a community wide organization whose mission is to enhance the economic well-being of the community. While the Chamber is focused on the City at-large, they are actively engaging in the revitalization effort Downtown and recognize the need for a vibrant Downtown.

Loveland Small Business Development Center

The SBDC is a community wide organization but is actively working with Downtown businesses to ensure long-term success. The organization, which is chartered by the State of Colorado, works with businesses to develop plans that greatly improve the long-term economic success.

Loveland High Plains Art Council

The Art Council is focused on promoting sculptural arts for the economic benefit of the community. With a number of galleries in Downtown and the importance of Arts and Culture in Loveland, the Art Council is a critical player in the promotion of the Arts in Downtown Loveland.

Action Steps

With regard to this strategic plan element, the main issue is how best to leverage the strengths of each of the non-profits to achieve the best outcome. Progress has been made to coordinate efforts between agencies, which are expected to continue.

The recommended action steps for this plan element are:

1. Seek to increase the input from the Art Council and the Chamber of Commerce.
2. The non-profits are influential and represent broader interests.
3. It is important to build broad support for revitalization efforts and we should find ways to increase their participation.
4. Work with the Downtown organizations to build broad community support for revitalization efforts.
5. Work with the Downtown organizations in a branding effort for Downtown that is inclusive of the entire Downtown.

I. Marketing

Overview

Continuously market downtown, its current events and projects, as well as specific new downtown events. The image of most downtowns is so negative prior to revitalization and much skepticism exists during the early phases that constant attention must be paid to re-positioning the area. It is especially important to communicate the strategy and progress in revitalization to the investment and banking community so they will have faith in the process in which they are being asked to invest.

Accomplishments

Downtown Loveland does not lack in events and activities to attract visitors to the area. The Rialto and Loveland Museum/Gallery create a mecca for cultural entertainment that attracts and a steady group of visitors to downtown. Each facility hosts various events and programs that not only attract locals but visitors from outside of Loveland.

The City of Loveland Visual Arts Commission has designated downtown as a sculpture park and will soon be adding more sculptures to celebrate the art community.

Downtown Loveland has community events that draw hundreds to thousands of visitors each year. The events include the Night on the Town Art/Gallery Walk, Children's Day, Historic Preservation Month, SummerFest in the Rockies, Cherry Pie Celebration, Loveland Loves BBQ, Corn Roast Festival & Parade, Dancing Through History, Halloween Family Fun Festival, the Foote Lagoon Concert Series, Holiday Tree Lighting, Loveland Lights and Winter Walk.

Downtown also has many smaller events that attract visitors for shopping, to enjoy the library and Chilson Recreation/Senior Center. Quality restaurants line the core of downtown, and Lincoln Place project provides a centralized location for residents to enjoy downtown amenities. The construction of the Fairgrounds Park can provide future connectivity to Downtown and a corridor for future development.

The Downtown Loveland Association, the Associates of Downtown Merchants (4th Street District), For a Better Downtown and the Community Foundation are all working together to maximize resources to revitalize Downtown. Together these groups will use their organization's strengths to reach out to the various communities to promote downtown as well as sup-

port each other. These groups need to be involved in the overall marketing/branding plan. Supporting these groups are the Loveland Downtown Team and Engaging Loveland, Inc.

Action Steps

With regard to this strategic plan element, a brand/identity needs to be created to be able to promote downtown. The marketing/branding plan should have strategies, goals and objectives for marketing downtown but should also have strategies, goals and objectives to be included in the overall marketing of the Loveland community.

The recommended action steps for this plan element are simple and brief.

1. Determine the marketing brand/identity for downtown.
    - Contract with a professional marketing firm like the Ten Fold Collective (created the 4th Street District brand) to assist with this process.
    - Get buy-in from all groups involved with revitalizing downtown – i.e. the DLA, 4th Street District, For a Better Loveland, Community Foundation of Northern Colorado, etc.
    - Answer the question: What do we want to be known for in 20 years? Examples: Pearl Street, 16th Street Mall, Old Town, etc.
2. Create a marketing plan.
    - Contract with a professional marketing firm to create/implement the plan.

J. Social Values

Overview

According to the 12 Steps to Revitalization, the social values of downtown need to be defined and plans put in place to enforce those values. The ultimate goal for downtown revitalization is to make it the community gathering place, a place for the entire community regardless of income or race. Housing affordability and other "equity" programs may be essential components of the revitalization effort.

The Loveland 2005 Comprehensive Plan includes the following related vision statement:

Loveland is a community that encourages active public involvement and is responsive to the health and human services needs of its citizens.

Accomplishments

The Downtown is currently home to a number of organizations serving citizens with lower income and providing housing, case management, food, clothing, medical care, mental health care, homeless shelter and services, and domestic violence intervention and counseling.

The City's 2005 Comprehensive Plan includes Guiding Principles that address social values throughout the community and in the Downtown:

> Guiding Principle 17: Provide the needed network of human services and outreach to ensure that all citizens, including special populations, can achieve their full potential and be self-sufficient.
>
> Goal 17.1: Review and periodically update those planning documents related to Human Services.
>
> Goal 17.2: Promote community well-being, enhance stability, create a sense of belonging, provide crisis prevention, and lead to self sufficiency through an organized system of partnerships with not-for-profit and faith-based human services providers supported by the City's grant programs.

Goal 17.3: Promote a sense of safety and belonging for all sectors of Loveland's community, particularly those limited or marginalized by age; by economic disadvantage or mental or physical health disabilities; by citizenship status, by gender and sexual orientation; or by cultural, educational or language barriers.

Goal 17.4: Provide homeless Loveland residents with a seamless system of support to achieve self-sufficiency.

Goal 17.5: Educate the community-at-large of the acute and chronic needs which can afflict people of all ages and limit their ability to live independently to attain self-respect and self-sufficiency, and to fully participate and contribute to community life.

The City's 2005 – 2010 Consolidated Plan goals include:

- Provide adequate services to homeless persons in Loveland through shelter, case management, transitional and permanent housing.
- Implement and support an anti-poverty strategy by supporting agencies and services that meet basic needs and provide tools for self-sufficiency.

Action Steps

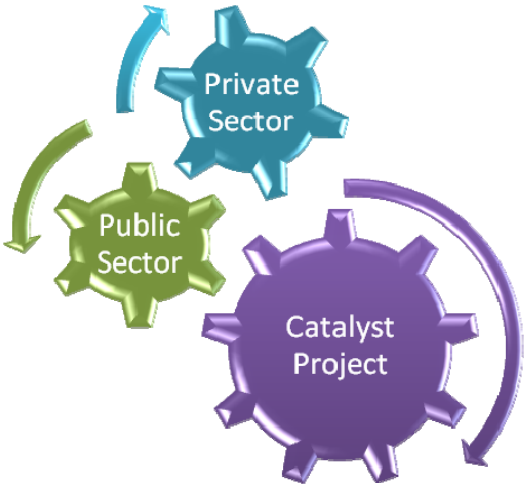
With regard to this strategic plan element, the community has taken steps to provide services for persons with lower income.

The recommended action steps for this plan element are:

1. Maintain city funding of the Human Services Grant program.
2. Request increased funding from the Federal government for the Community Development Block Grant funds that have been a catalyst for redevelopment in projects located in the Downtown such as the Lincoln Hotel renovation.
3. Maintain affordable housing opportunities in the Downtown.
4. Create new and improve existing relationships with non-profit agencies serving persons with low income and serving special needs populations within the Downtown.

V. Implementation Manual

Overview



The implementation manual identifies the actions necessary to bring private investment to Downtown Loveland. It is a practical approach to attracting investment in Downtown and is consistent with efforts to address underlying economics that govern Downtown. (*Principle #1*)

The implementation manual reviews the role of the public sector, further explores the catalyst project scenarios from the Strategic/Business Plan, identifies a process to encourage input from developers and investors, and reviews existing public structures to support development. The strategy also recommends steps to enhance cultural offerings and improve on efforts to market the Downtown.

Role of the Public Sector

Successful Private/Public partnerships require each partner to clearly define its role in the development process. As the City moves forward with the implementation strategy, it is critical for the City to define its responsibilities and capacity to support Downtown investment. Private/Public partnerships are complex endeavors that require clear understanding of the role of each entity and the economic conditions in Downtown.

According to the Urban Land Institutes, "*Ten Principles for Private/Public Partnerships*":

> *A partnership is a process not a product. Successful navigation through the process results in net benefits for all parties. Public sector entities can leverage and maximize public assets, increase their control over the development process, and create a vibrant built environment. Private sector entities are given greater access to land and infill sites and receive more support throughout the development process. Many developers earn a market niche as a reliable partner with the public sector and are presented with an opportunity to create public goods.*

The report suggests that partnerships involve a process that builds over time with each successful project. For Downtown Loveland to be successful, the City will need to clearly identify its capacity to support the partnership process. This is especially critical in light of the diminished capacity of both the private and public sector due to the current economic downturn.

"Ten Principles for Private/Public Partnerships," outlines the responsibilities of each body. For each responsibility, the associated column reviews the success that the community has achieved in Downtown Loveland.

Public Responsibilities as defined by the ULI	Downtown Loveland Successes	Downtown Loveland Additional Steps
Assess Your Capabilities	• Draft Strategic/Business plan with financial projections. • Identified catalyst project scenarios and funding gaps	• Final approval of draft Downtown Plan with Implementation Strategy. • Complete a development inventory of publicly and privately owned land in Downtown Loveland.
Create a Public Vision	• Draft Strategic/Business Plan with Downtown Vision. • Completed Downtown Infrastructure Master plan. • Completed Downtown Parking Study. • Identified potential development opportunities through catalyst project scenarios.	• Final approval of draft Downtown Plan with Vision. • Final review and approval of infrastructure plan by City Council.
Be Resourceful with Funding	• Created Downtown Urban Renewal Authority financing district. • Fee Waivers for Downtown Projects. • General Improvement District supports parking maintenance and upkeep.	• Identify additional funding sources that can be used in Downtown. • Identify partners to assist with funding opportunities. • Explore the use of a Revolving Loan Fund as alternative to direct assistance.
Be Legislatively Prepared	• Be-Zoning District, most flexible zoning district, allows for highest density. • Created Loveland Downtown Team to support revitalization efforts.	• Review and amend Be-zoning district. • Assess and address barriers to re-occupancy, redevelopment, and infill development.
Have the Land Ready	• City is working to purchase land for parking deck. • City has purchased property for pedestrian enhancements.	• Identify development opportunities and intermediaries that can support assemblage.
Manage Expectations	• Implementation strategy, defining roles and responsibilities. • Work with Loveland Downtown Team and community partners to build support.	• Convene a group of local real estate professionals to identify and support development in Downtown.

While the City has made significant progress establishing its role in the partnership process, the implementation strategy builds on that success and continues to move forward with other successful catalyst projects.

Additionally, the report lists the responsibilities of the private sector in the partnership process:

Establish Feasibility – Identify financing options. Potential demand builds support for the partnership.

Know Your Partners – Identify and become familiar with the approval processes, requirements from the public sector and assess the public partner's ability to deliver resources to support the project.

Get the Right Team – Identify local partners that are familiar with the community and the public partner.

In any partnership, the private sector would also act as the developer, retain ownership and operate the building.

Project Scenarios and Development Opportunities

The implementation strategy seeks to use public investments to leverage private investment in Downtown Loveland. The process is challenging and includes many unknowns, but it is the best opportunity for long-term success for the Downtown.

The following section outlines the process of how partnerships will be achieved using figures from the City's capital budget and project scenarios from the Strategic/Business Plan.

Belmar Mixed Use Parking Deck, Lakewood, CO

For the January 2009, City Council retreat, Council members requested from staff an estimate of total cost for proposed infrastructure improvements in Downtown (the estimate is included in the appendices). Those estimates were further refined as part of the HIP Streets Downtown Master Plan. The most recent estimate is $34,164,200 for all of the elements including the

parking structure. At the retreat in January, the Council requested a plan that would outline the strategy and rationale for Downtown revitalization. Since January key stakeholders have been working concurrent with the HIP Streets Master Plan to complete both the Master Plan and our Downtown Strategic/Business Plan.

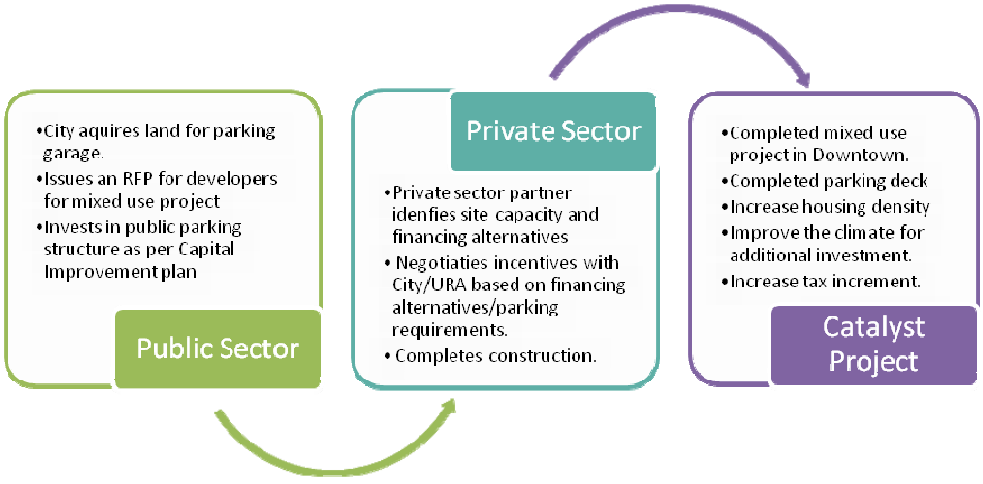
As the City has completed additional steps and reviewed existing best practices, it became clear that a $34.1 million capital outlay without real private investment is not feasible nor reasonable. As such, this plan does not request unilateral public investment in the Downtown as has been implied by the estimate provided in January of 2009 to the City Council.

The implementation plan envisions a scenario where public investments are leveraged to achieve the outcomes as outlined in the Strategic/Business Plan:

- Increased housing density
- Improved quality of office space
- Creation of dense vertical development
- Maintain affordable housing units

The plan calls for a project-based approach, whereby public incentives are structured to offset the cost of the public improvements to private development projects. The strategy seeks a leveraged approach to Downtown revitalization to achieve the highest level of success over the long-term. The strategy represents a general shift to a project philosophy regarding investments in Downtown. The plan acknowledges that public improvements absent a specific development project do not guarantee any private investment and do not significantly alter the current economic conditions in Downtown.

Using the Large Catalyst Project scenario (p. 13 Strategic/Business plan) as an example, the Private/Public partnership could work in the following partnership model:



Under the scenario, the City could use the equity in the land and investment in a parking deck to attract a private developer through a request for proposals. A process for promoting and attracting investment to Downtown is outlined in the next section.

Shaping Downtown Loveland/Growth Assessment

To attract private investors, and to begin to market the Downtown as an area with investment potential, the plan calls for a strategically engaging local real estate professionals to complete the following:

- Identify potential development opportunities in Downtown Loveland using existing catalyst project scenarios, inventory of parcels under public ownership and other factors.
- Identify strategies to achieve Downtown investment.
- Identify potential funding gaps and other public support to leverage private investment.
- Assist in the development of a Request for Proposal for a mixed use project with public parking.

The process is intended to bring in real estate professionals from around the region to assist the City in developing investment opportunities in Downtown. Participants will include:

- Local/Regional Developers
- Investors
- Downtown Property Owners
- Architects
- Local Banks/Financial Partner

The goal is to lay the foundation for strong Private/Public partnerships in Downtown Loveland. A focused process will serve as both a marketing opportunity and help to educate the public on the requirements of the private sector.

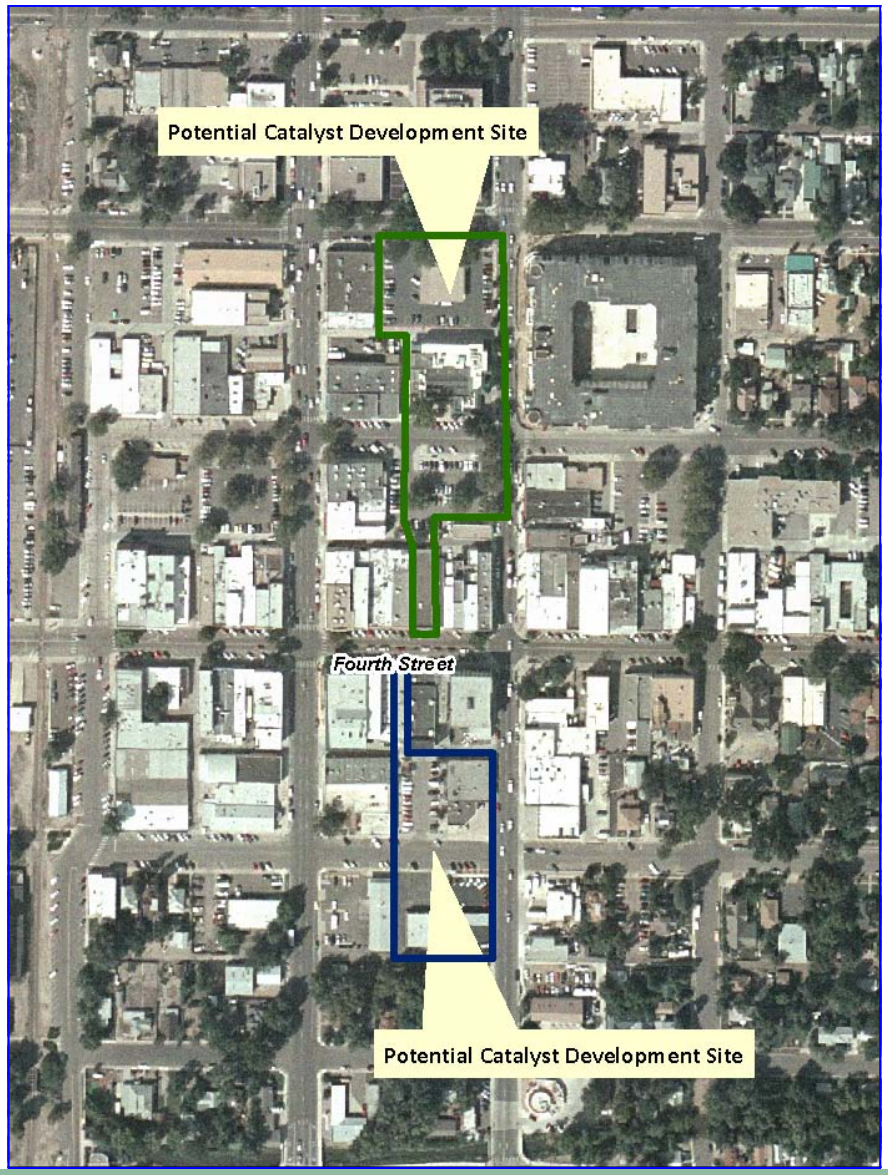
The strategy also looks at the public structures that support revitalization of Downtown including the existing Urban Renewal Authority, and a potential Business Improvement District, Downtown Development Authority, or Special Improvement District. Understanding that each of these structures has a valuable role, the strategy reviews the potential financial impact and other benefits.

By bringing in potential partners from the very beginning, the City shows willingness to partner with the private sector and support development in Downtown.

There are currently two main projects with the greatest potential for Downtown development:

- Parking Structure (pending land acquisition)
- Museum Expansion

The projects have significant advantages for the City with regard to promoting development. There is significant public ownership of parcels, and it is large enough to support dense vertical mixed-use development. The museum expansion project assumes that upper stories would be used for residential or office use while maintaining the cultural focus on the lower stories. The project has the potential to significantly enhance the cultural offerings as well as serve as a catalyst project that will positively impact the economy of Downtown.



Financing Mechanisms for Downtown (and other areas of the City)

In Colorado, many different financing techniques have been used in the redevelopment and marketing of downtowns. In the figure below, many of the techniques used in Colorado have been listed. The techniques have been arranged from the least amount of government support to the greatest level of funding support. In the "12 Steps to Revitalization," it was emphasized that at the beginning stages of a redevelopment effort, the local government plays the greatest financial support role. As the redevelopment becomes more and more successful, the local government's role is diminished.

Figure 1: Financial Mechanisms used in Colorado for Downtown Redevelopment

Self-funded through private investors	
Individual Property Owners	Voluntary Owner Associations/Special Benefit Districts
Support	
Grants (State, Federal, Private)	Foundations
Charitable contributions	Investor Partnerships (Local Development Company)
Public-Private Partnerships	Tax Credit Programs
Self-imposed Fees or Taxes	
Special Assessment Districts	Business Improvement Districts (Commercial Only)
General Improvement Districts	Urban Renewal Authority Project Areas
Downtown Development Authorities	Public Mall Act
Utility Surcharge (Downtown only)	Real Estate Transfer Tax (District only)
URA Bonds	Line of Credit
Focused City Support	
Façade Program (Revolving Loan)	Lodging Tax (Citywide or Specific Area)
City Property Tax Earmark	City Use Tax Earmark
City Sales Tax Earmark	Revolving Loan (low interest) Fund
Public Improvement Fee	Capital Expansion Fee Exemption
Broader City Support	
General Fund Transfer	City Sponsored Revenue Bond
Utility Surcharge (City wide)	City Sponsored General Obligation Bond
Real Estate Transfer Tax (Citywide)	Special Tax (Mill levy or Sales Tax) Citywide

In most of the communities in Colorado that have undertaken downtown (or special area) redevelopment, five types of special financing districts have been utilized most often. These districts include:

- Business Improvement District (BID)
- Downtown Development Authority (DDA)
- Urban Renewal Authority (URA)
- General Improvement District (GID)
- Special Improvement District (SID)

A chart listing funding mechanism is included in the appendices.

The City of Loveland has experience in all but the business improvement district. The DDA approach was used in the 1990s. The URA is currently in place for the Downtown, Lincoln Place, and Centerra. The GID has been used in the Downtown since the 1960s. And finally, the City has used a special improvement district to construct improvements at Centerra for SID No. 1. The chart on the next page provides the salient features of the special financing districts for a quick comparison.

For purpose of illustration, three of the financing mechanisms are reviewed in more depth below, including:

- Special Improvement District (SID)
- Business Improvement District (BID)
- Downtown Development Authority (DDA)

After the illustrations, also provided is a brief discussion of the Downtown Development Corporation.

Special Improvement Districts

Special Improvement Districts (SID) have been used in Colorado since the 1930s. Essentially, the properties that receive special benefits from improvements pay annual assessments to cover the cost of the improvements. The major advantage to the property owner is that the bonds used to finance the improvements are issued at tax exempt rates, thereby lowering the cost of the special assessments over time. SIDs are created by the City and do not have their own governance. They are set up to perform improvements in a specific geographical area. Unlike property taxes, special assessments are not tax deductible to property owners. The key factor in setting up a special improvement district is the willing cooperation of the property owners to take on the financial responsibility of paying the annual assessments. The City's

In the hypothetical example shown below, the annual payments ($76,400) are constant over the life of the bonds. The annual payments are roughly twice the amount of annual revenue being generated by the downtown General Improvement District.

The major drawback of using the special improvement district in Downtown Loveland is that the area needs substantially more than $1 million of improvements. Additionally, the benefits of the improvements will accrue to future development projects. Existing property owners would, in effect, be taking on the costs of improvements that will benefit many other future property owners.

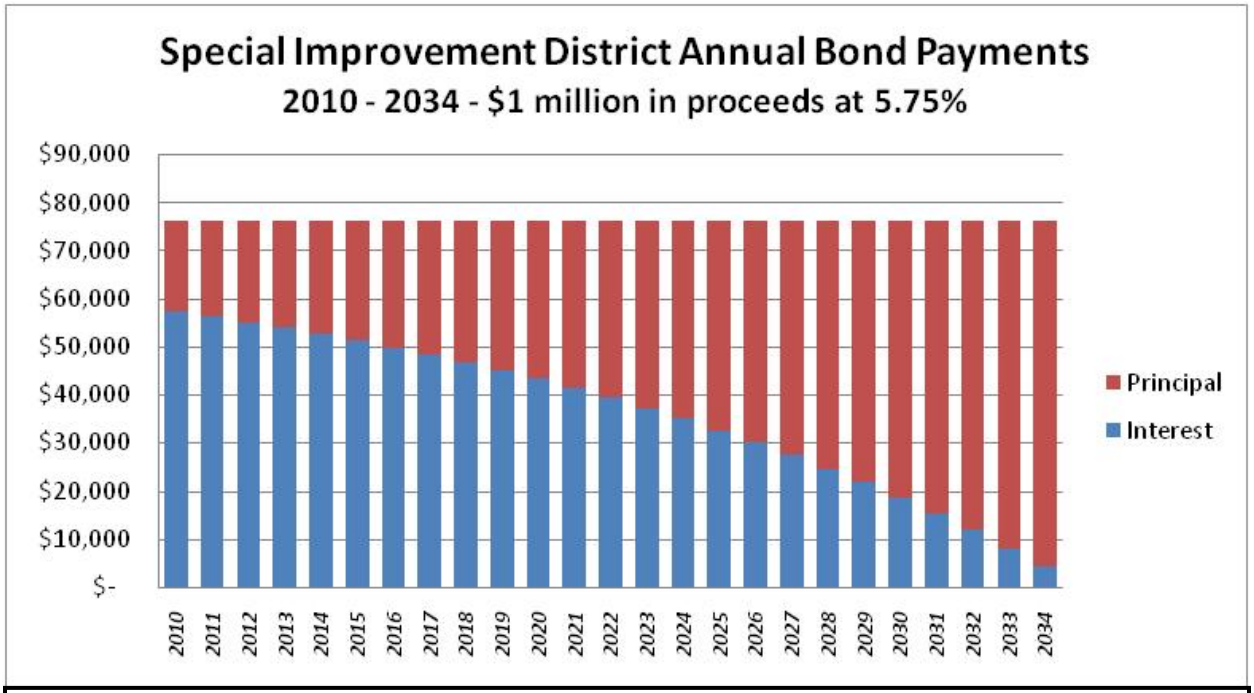


Figure 2. Possible Special Improvement District Financing for Downtown Loveland

Assumptions:

Amount to be financed:	$1,000,000
Interest Rate on Bonds:	5.75%
Term:	25 years

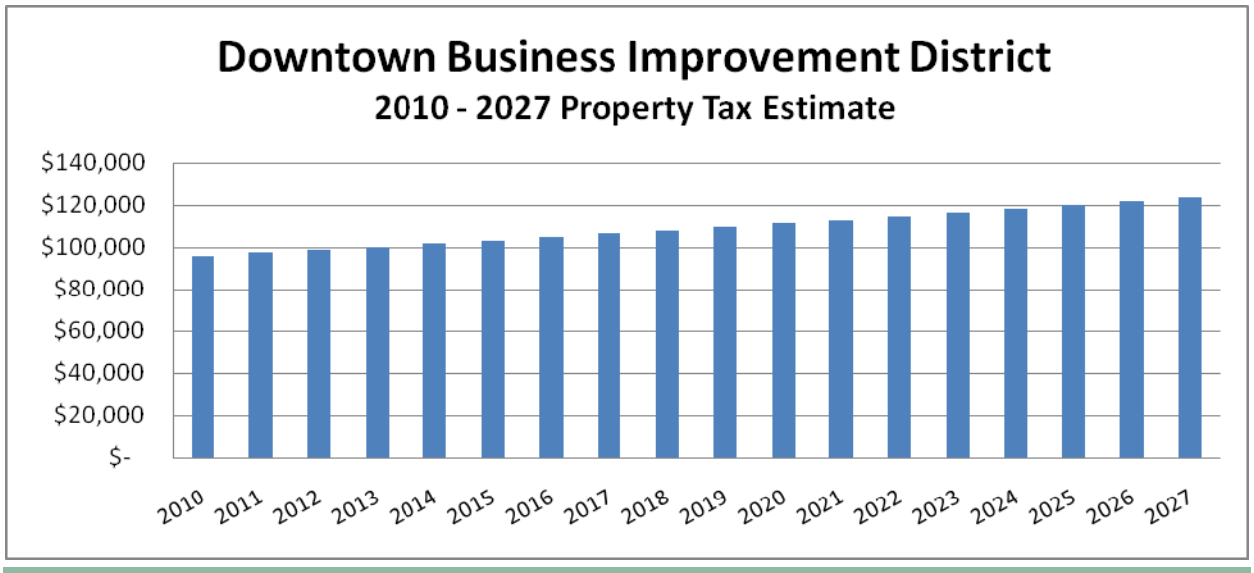
Business Improvement District

A Business Improvement District (BID) is a separate political subdivision created within a municipality through petition of owners in the area proposed for the district. The BID may levy a property tax after voter approval. The BID is permitted by law to provide the following services to the district:

- Consulting with respect to planning or managing development activities;
- Maintenance of improvements, by contract, if it is determined to be the most cost-efficient;
- Organization, promotion, marketing, and management of public events;
- Activities in support of business recruitment, management, and development;
- Security for businesses and public areas located within the district;
- Snow removal or refuse collection, by contract, if it is determined to be the most cost-efficient;
- Providing design assistance;
- May issue general obligation or revenue bonds with voter approval for capital projects;
- May create special improvement districts within the BID boundaries.

BIDs are very flexible entities that can finance capital improvements and provide a multitude of services. Bonds issued by a BID are exempt from the Colorado Municipal Bond Supervision Act. Unlike URAs and DDAs, BIDs are not authorized to collect tax increment from property developing in the district.

In the chart below, property tax revenue from a BID (larger than the current downtown General Improvement District) has is estimated for the next 18 years.



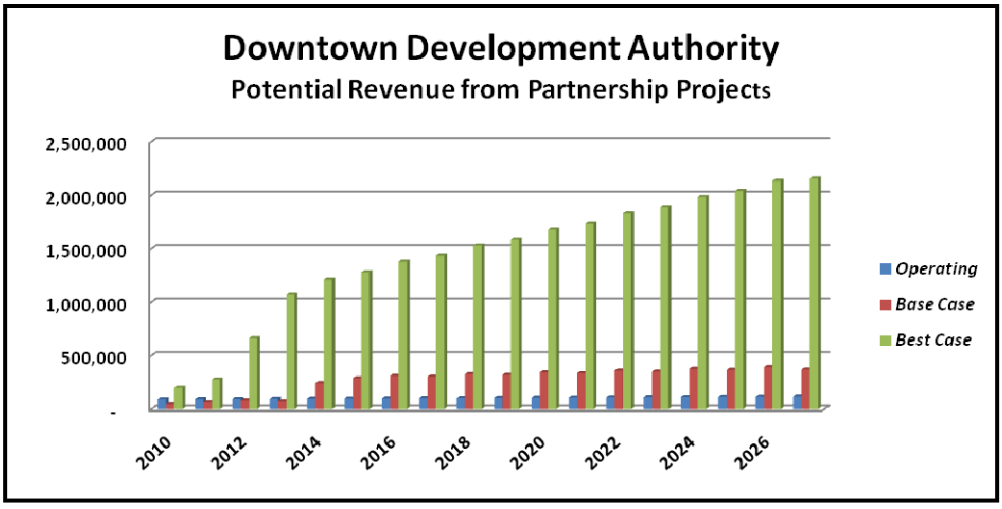
Downtown Development Authority

The Colorado General Assembly approved DDA enabling legislation in the late 1970s. The DDA combines some of the administrative features similar to but not as extensive as a BID and the tax increment revenue generating powers similar to the URA. A DDA for downtown Loveland would be created by a majority vote of the electors residing, owning, or leasing property in the specified area. The DDA can assess a mill levy of up to five mills for operating purposes.

Unlike BIDs, DDAs are not authorized to supplement city services and cannot perform promotion, marketing, or business recruitment activities. DDAs are more similar to Urban Renewal Authorities. The primary focus is to promote redevelopment. DDAs can use an operating mill levy and Tax Increment Financing (TIF) to support development. BIDs, SIDs, and DDAs can exist concurrently in a Downtown area.

In the following chart, the operating mill levy and tax increment from two different development scenarios are presented. The operating mill levy assumes the maximum of five mills on an area larger than the current general improvement district, close to the current downtown URA. The base case for the Tax Increment (the red bars in the chart) is the same as the assumption for the current URA, roughly $5 million over the next 18 years. The total revenue from TIF in the base case is $5 million. The best case assumes that catalyst projects will be built and perform similarly to the analysis for the URA resulting in $25 million of tax increment over the next 18 years.

The DDA combines some aspects of a BID with the advantages of the tax increment of a URA, all in one organization. Recent changes to the DDA enabling law allow 25 years of life to build up the tax increment base followed by a rolling base year period. The new changes allow more time for improvements to be built and reinvestment to continue to occur.



Other Financing/Development Mechanisms

Public Mall Act of 1970

The Public Mall Act allows for certain special assessments within a "district" defined by City Council as being specially benefited by establishment of a "pedestrian mall".

A "pedestrian mall" (also referred to as a "public mall") is defined as:

> "one or more *municipal streets or portions thereof* on which vehicular traffic is . . . restricted in whole or in part and which is or is to be used exclusively or primarily for pedestrian traffic [and other improvements for appearance and utility].
>
> "municipal street" means a street existing within the City limited *except those designated as state highways*.
>
> "street" is defined broadly, to include "any public street, road, highway, alley, lane, *sidewalk*, *right of way*, court, or place of any nature open to the use of the public and held by the public for street and road purposes".

Closing off only a portion of a street right of way would be defined as a pedestrian mall, subject to the provisions of the Act.

The Act allows imposition of a special assessment on properties specially "benefited" by the proposed pedestrian mall. The assessment is limited to the amount necessary to be used to acquire the property to be used for the pedestrian mall (pay damages for taking) and for the cost of improvements made in the "mall area".

The Act also allows a special assessment for the annual costs of maintenance operation and repair of a pedestrian mall (less revenues, if any), but not more than one-half mill per year.

The establishment of a "pedestrian mall" is subject to specific requirements in the Act, including specified findings by City Council, notice and hearing, and possibly an election (if owners of a majority of the front footage abutting the mall file written objection). Additional steps are required in connection with any assessments.

There are a number of questions that seem likely to come up depending on the proposed boundaries of the "mall", the special benefits that might be conferred, and the boundaries of the "district" in which the special benefits are provided. Further, the Act permits the public mall improvements and assessments to be handled through a special improvement district or a general improvement district, as well as directly. The existing districts v. new area would have to be explored and the pros and cons of the alternatives weighed.

Downtown Development Corporation

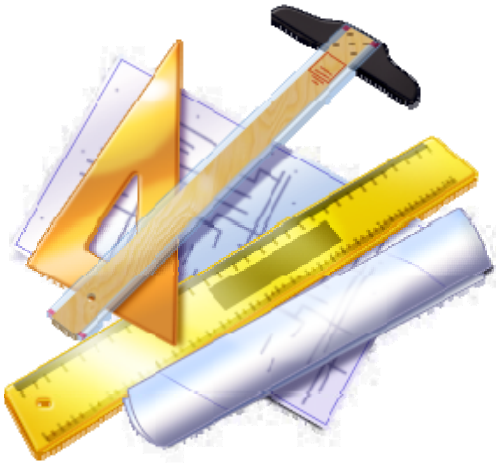
Another option would be the creation of a Downtown Development Corporation (DDC) by a third-party intermediary. A DDC is a public, non-profit corporation that serves as a catalyst for Private/Public partnerships. The DDC can operate as the agent for development in Downtown with the support of private donors, and with the support of the City.

A Downtown Development Corporation would a private sector, non-profit corporation representing the community's civic and business leadership. A corporation, in partnership with the City, could assume some responsibility for promoting the long-term economic health and vitality of Downtown, providing a forum for establishing downtown development priorities among private and public entities, and taking direct actions to move catalyst projects forward

VI. Implementation Tools

Overview

Implementation tools identify the sources of financing that can be used to leverage investment in Downtown Loveland. The intent is to highlight the multiple sources of funding both to the City, and to potential investors as they reach out to developers to solicit input. It is anticipated that any development package would likely require separate approval by the City Council.



The tools include a range from simple infrastructure improvements to tax credits and equity investments. Critical to this section as well, are the policy changes to facilitate appropriate development that include the Be zoning district and existing Downtown fee waivers.

Direct Assistance/Investment

The tools described below are those currently available to the City and can be used to leverage private investment. While the tools include investments in public infrastructure, they are not intended to substitute regular maintenance, or replacement of existing facilities that is the responsibility of the City.

Capital Improvement Plan Budget

In January 2009 at the City Council Retreat, a memo was provided by staff to Council identifying the major projects to be funded in the Downtown. The Public Works Department provided updated cost estimates indicating that the projects would cost approximately $34.1 million. Additionally, the memo provided to City Council in January assumed that the City's Capital Improvement Program would provide approximately $13.5 million to be used to fund capital improvements in the Downtown. The revenue assumption included the use of funds identified for the Community Building.

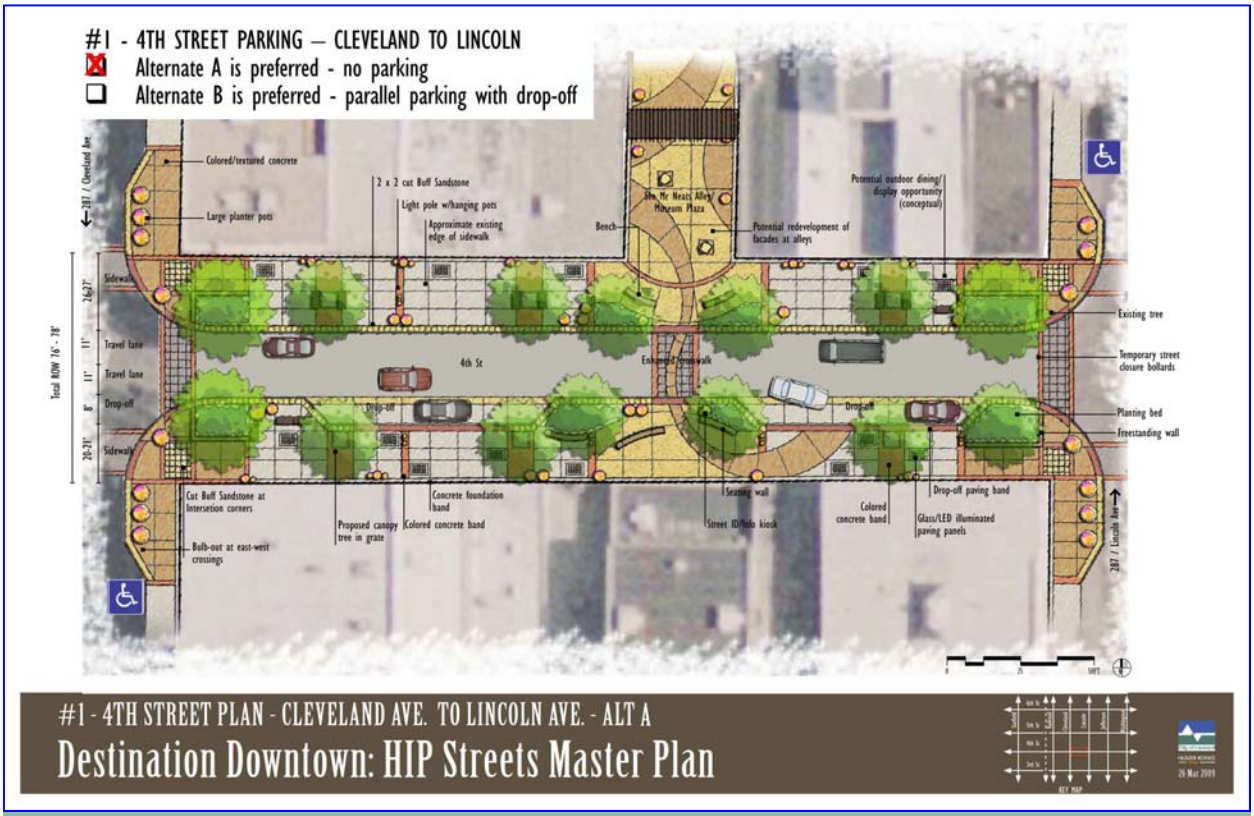
While the City will be required to invest in infrastructure improvements to support revitalization, through private/public partnerships, our goal is to minimize the total cost to the City.

Economic conditions have changed significantly since the January 2009 retreat. As changes have occurred the City Manager has provided updates to Council. An additional update on the Capital Improvement Program will be coming up in June 2009. It is likely that the Capital Improvement Program funding identified for the Downtown projects will have to be shifted further out into the future. This means that there will be less support funding for the Downtown projects in the next five years from City sources its also one of the reasons for the emphasis on the Private/Public partnership approach to Downtown development.

Public Infrastructure Improvements

The City, with the assistance of outside consultants, completed a draft Infrastructure Master Plan for Downtown Loveland. In addition, Loveland Water and Power Department completed a draft cost estimate for undergrounding the electrical utilities. This work provides the City with the opportunity to create a template for future public investments in Downtown.

The infrastructure master plan is an important step and should be completed soon after adopting the Downtown Strategic/Business plan and Implementation Strategy. The prioritization from the plan defines the needs of Downtown, but it should be reviewed critically as are all capital projects downtown. The process should determine elements best meet strategic needs of the Downtown, including parking, quiet zone, street improvements; and which projects should happen as part of a broader Private/Public redevelopment project. Further, the



process should determine which elements are left strictly to the public and what funding sources exist for specific projects and ongoing maintenance.

At the CIP prioritization meeting, hosted by the Public Works Department on Wednesday, April 1, 2009, the participants, including four members of the City Council, the Loveland Downtown Team and the Steering Committee, concluded with the following Downtown infrastructure priorities:

1. Public Parking Deck
2. 4th Street Improvements
3. Museum Plaza
4. Mr. Neats Building Improvements

The implementation strategy recommends that each of the prioritized infrastructure improvements be used to attract private development in Downtown. Under the implementation manual, the proposed site for the public parking deck would serve as one of the catalyst projects. The current Capital Improvements Plan includes funding for the acquisition and construction of the parking deck.

Additionally, the City completed a Downtown Parking Study in 2008 that significant parking deficits would occur with building re-occupancy. The study also indicated that the City should focus on improving the management of its existing spaces in Downtown.

Land Assemblage/Equity Investments

Land assemblage can be difficult and expensive for the public sector. However, it is of paramount importance for the revitalization process to occur. The current building fabric in Downtown has numerous small single story buildings that limit dense vertical development.

Bookends Condominium, Greenville South

While acquisition by the City has included the Mr. Neats building, property for the parking deck etc., there are strategies to facilitate assemblage in Downtown that would make the job the sole responsibility of the City. Third party intermediaries could purchase and hold property with the intent to develop. While the City has been reluctant to use condemnation to acquire property, there are some significant tax advantages to

the property owner in a “friendly condemnation.” With an agreement in place, a “Transfer in Lieu of Condemnation” can reduce the cost of acquisition while reduce the seller’s tax liability and providing an incentive to sell the property.

Line of Credit through the Loveland Downtown Urban Renewal Authority

Using the powers of the URA under state legislation, the City and the URA could negotiate a line of credit with a bank or other financial institution. This financing technique has been used in other Colorado cities. Selection of a financial institution would be done through a competitive request for proposal process.

The line of credit works like a flexible loan. The Downtown URA project could draw money when necessary and pay interest on the money drawn. As money becomes available to the URA, either from the City’s appropriated capital improvement plan or from property and sales tax increments in the Downtown, repayment would be made on the draw of the line of credit.

The line of credit offers a great deal of financial flexibility to the Downtown URA. Based on current market conditions, historically low interest rates and financial institutions looking for high credit quality projects, interest rates would likely be very low. The legal and administrative costs of this approach are much lower than a bond issue.

Performance Based Assistance

Tax Increment Financing

Tax Increment Financing is a critical tool in attracting investment in the Downtown. For investors, the direct cash return for a project is a critical consideration for determining the investment risk. Tax Increment Financing can help establish a predictable cash return to an investor. The cash return helps mitigate risk and establish returns. This is important in Downtown where current returns can be low.

For example, the chart below assumes a $70,000 incentive paid out annually over five years based on Tax Increment received by the URA. As illustrated in the chart, using this tool can significantly increase the cash on cash return to the investor making the project more attractive. The intent is to use the five year window to fill the gap in financing to all allow the private cash return to increase based on the impact to the Downtown market.

Small Catalyst Project	*With TIF Support*	*Without TIF Support*
Developer Equity/Private Cash Investment	$975,000	$975,000
Net Operating Income	$393,390	$393,390
- Debt Service	(314,712)	(314,712)
- Capital Reserves (3%)	(15,736)	(15,736)
Annual Cash Return	$62,942	$62,942
Annual TIF Return	$70,000	$0
Cash on Cash Return	**13.70%**	**6.50%**

Revolving Loan Fund

The purpose of the revolving loan fund is to provide capital to promote downtown investment based on the criteria set forth in the Strategic/Business Plan and to ensure a consistent return on investment for the City of Loveland. Many cities use revolving loan funds to incent investment in Downtowns and for other purposes such as business development, brownfield clean up and historic preservation. Some examples include:

- City of Denver, Office of Economic Development Revolving Loan Fund
- Colorado Brownfield Revolving Loan Fund
- Colorado Historical Foundation Revolving Loan Fund
- Colorado Conservation Trust Revolving Loan Fund
- Pueblo County Revolving Loan Fund
- Weld/Larimer County Revolving Loan Fund (unincorporated areas)

In addition, numerous jurisdictions around the country use revolving loan funds to support Downtown revitalization. A revolving loan fund is useful due to the limitations of capturing tax increment on housing projects from the Gallagher Amendment, where housing is assessed at seven percent of actual value. The TIF capture is minimal. The state's Constitutional limitations make it difficult to use this tool to reinvest in the property to support development. The City can also structure the loan fund to ensure a small return on its investment.
A revolving loan fund would require additional consideration by City Council.

Business Assistance

The City currently provides business assistance to companies locating to Loveland. The City maintains an economic development incentive fund and considers the requests on a case by case basis. The incentive is available city wide.

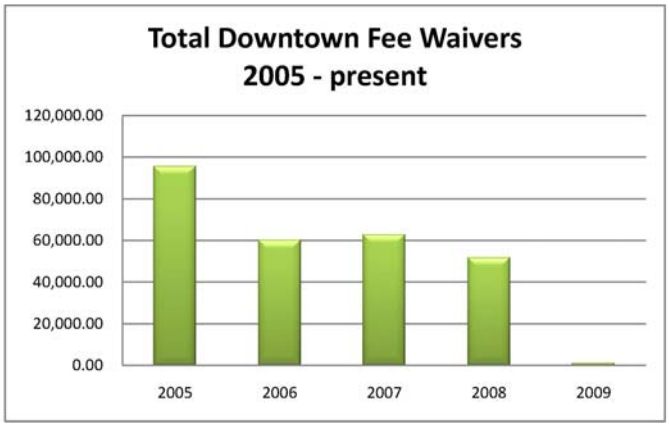
Fee Waivers

The City offers fee exemptions for projects located in the Historic Downtown Area. The fee exemptions include are listed in the chart to the right.

Plan Check Fee	CEF Street
Structural Building Permit	CEF Fire
Building permit fee	CEF Law Enforcement
Electrical permit fee	CEF Library
Electrical sub fee	CEF Museum
Mechanical permit	CEF Parks
Mechanical Sub fee	CEF Recreation
Plumbing Fee	CEF Trails
Plumbing Sub Fee	CEF Open Lands
Storm Inspection	
Street Inspection	

The fees are currently waived and, for the city, represent forgone revenue. The fee system could be modified to assist with financing of Downtown projects. Instead of waiving fees outright, fees could be dedicated to a Downtown Development Fund to be used to support development, provide ongoing maintenance or help financing infrastructure improvements.

Over the past five years, excluding Lincoln Place, the total amount of fees waived in Downtown were $271,567. The chart to the right shows the annual amount in fees waived. The amount excludes the fees waived for Lincoln Place, which were $3,034,257.



Other Sources of Assistance

Brownfield Assistance

The State of Colorado offers assistance in the form of grants, tax credits and a revolving loan fund for contaminated parcels. Because of the age of the properties and uncertain historic uses, some properties within Downtown may require remediation prior to development.

New Markets Tax Credits

The New Markets Tax Credit (NMTC) is a 39 percent credit on an equity investment to a Community Development Entity (CDE) that is claimed over a seven year compliance period (five percent over the first three years and six percent over the last four years). The CDE must then make a Qualified Equity Investment or loan to a Qualified Business in a Qualified Low-Income Community (LICs). Most Commercial and mixed-use real estate development projects located in LICs are Qualified Businesses. Residential projects without a commercial component do not qualify. The New Markets program is designed to encourage investments in LICs that traditionally have had poor access to debt and equity capital.

The neighborhoods that qualify as 'low income', according to federal sources that administer the NMTC program, include two tracts in Loveland; the downtown area south to 14th Street SW and east of Downtown, and south of Eisenhower.

Low Income Housing Tax Credits

LIHTCs are a federal tax benefit provided to developers in exchange for reserving some or all of the housing units for low income families. The program requires a thirty year commitment to ensure affordability. To be eligible, 20 percent of the housing units must be reserved for households at or below 50 percent of the Area Median Income, or 40 percent of the units must be reserved for households at or below 60 percent of the Area Median Income.

Investors receive a dollar for dollar reduction in their tax liability, thus reducing the cost of lending to make a project feasible.

Historic Preservation Tools

Rehabilitating historic buildings costs money, Code compliance issues, outdated or deficient structural components, and poorly planned renovations over the years all present problems. For these reasons, tools have been created to help both for-profit entities and non-profit governmental agencies in rehabilitating historic buildings. Funds are not available simply for aesthetic improvements, but for important structural, health, safety and code improvements. The best way of preserving a building into the future is ensuring it has a beneficial use.

Generally, to qualify for funding a building must be placed on the Loveland, State, or Federal Historic Register. Currently, there are ten properties on one of these registers in Downtown Loveland. Historical projects must follow the *U.S. Secretary of the Interior's Standards*, a flexible set of standards that detail treatments for modern rehabilitation or historic restoration of buildings.

An added economic benefit of preservation is the draw to locals and tourists alike of a historic downtown. The Colorado Tourism Survey (2005) found historic downtowns ranked only second to natural scenery as a tourist draw, and that "heritage tourists" stay longer and spend more money than others. The 2008 Market Survey found historic ambience to be one of the main assets of a downtown retail and cultural district.

Tax Credits: There are two tax credits available for historic rehabilitation projects.

- The **Federal Historic Preservation Tax Credit** is equal to 20% of the eligible cost of a rehabilitation project, and is available to any commercial or rental residential property that is nominated to, or eligible for, the National Historic Register. Downtown Loveland is also eligible to become a National Register Historic District, which would make this tax credit available to owners of any contributing building, even if it is not individually eligible. There is no cap on this tax credit, and it can be carried forward 20 years or back 1 year.

- The **Colorado State Income Tax Credit** is available to both owner-occupied and income-producing properties designated on a local, state or national historic register. It is capped at $50,000 per property. It is a credit against state income taxes, and can be carried forward 10 years.

- For commercial buildings built before 1936, but not eligible for the historic register, there is a **10% Investment Tax Credit** available.

State Historical Fund: The State Historical Fund (SHF) annually awards millions of dollars for preservation projects. A recent emphasis of the fund is for projects that benefit main streets. Grants are available for up to 75% of project costs for the rehabilitation of buildings on a local,

state or national historic register. Grants generally do not exceed $300,000 per project and grant round.

Since restoration of the Rialto Theater in 1994, projects in Loveland have received over $1 million for historic rehabilitation, with the bulk of this money awarded since 2005.

Projects must be of a public nature to be eligible. This may include façade work on a main street; rehabilitation of non-profit and government buildings which are open to the public; rehabilitation of affordable housing; or even rehabilitation of commercial buildings open to the public. The degree of state funding depends on the nature of the building: a community-oriented non-profit building may receive 75% of the cost a project, while a for-profit main street building may only receive 25%.

An important tool of SHF is the **Historic Structure Assessment** grant. An assessment will identify critical and serious deficiencies based on a proposed use of a building, as a guide future work and grant funding or tax credit opportunities.

Successful projects often combine historic preservation funds with other funds such as CDBG and affordable housing funds/tax credits, the City's façade program, new markets tax credits, and the like.

IV. Appendices

Catalyst Project/Pro-forma Real Estate Analysis

- **Small Project Worksheets**
- **Medium Project Worksheets**
- **Large Project Worksheets**

12 Steps To Revitalization

Cost/Benefit Chart from City Council retreat (1/2009)

Special Financing Districts Chart

HIP Streets Master Plan Cost Estimates

Financing Options for Downtown Projects (Council Retreat memo 1/9/09)

Appendix – B

Pro-forma Worksheet – Small Catalyst Project

Space Use/Square Foot Hard Costs Worksheet

Property - 50,000 Square Foot Mixed-Use Project

Date

Prepared by:

	Location	Use		Square Feet/Unit	Cost	Extension
	Acquisition			13,689.00	80.00	1,095,120.00
	Demolition			13,689.00	25.00	342,225.00
	Basement	Parking		-	5,000.00	0.00
	First Floor	Retail		12,500.00	120.00	1,500,000.00
	Second Floor	Office		12,500.00	120.00	1,500,000.00
	Third Floor	Housing		12,500.00	120.00	1,500,000.00
	Fourth Floor	Housing		12,500.00	120.00	1,500,000.00
		All Floors Total		50,000.00		
	Subtotal (includes Gen. Cont. O&P)					6,342,225.00
	Total					6,342,225.00

Total Development Cost Budget Worksheet

Property - 50,000 Square Foot Mixed-Use Project	Date	
	Prepared by:	

Acquisition				1,095,120
	Land			
	Building			
	Title Insurance			
	Closing & Recording Costs			
Hard Costs				6,342,225
	Intervention			
	Subcontractor's Costs			
	General Contractor's Costs			
	General Contractor's Overhead		0	
		Permits		
		Insurance		
		Payment Bond		
		Performance Bond		
	General Contractor Profit		0	
Soft Costs				761,067
	Professional Fees			
		Architectural & Engineering Fees		
		Surveyor		
		Environmental Consultant		
		Attorney		
		Accountant		
		Appraiser		
		Marketing Research		
	Developer Fees			
		Developer Consultant		
		Owner's Representative/Project Manager		
	Financing Fees			
		Title Insurance		
		Loan Origination & Bank Fees		
		Closing & Recording Fees		
		Real Estate Taxes		
		Interest Expense		
	Other Fees			
		Broker		
		Lease-Up		
		Marketing		
	Reserves			
		Replacement Reserve		
		Operating Reserve		
Total Development Costs (TDCs)				8,198,412

Proforma Operating Statement

Property - 50,000 Square Foot Mixed-Use Project

Date

Prepared by:

INCOME/REVENUE

Gross Rents - Housing

	SF	Qty	Monthly Rent	Extension
One Bedroom	1000	12	1,000	144,000
Two Bedroom	1200	4	1,200	57,600
Three Bedroom	1300	4	1,300	62,400
Total		20		
One Bedroom				0
Two Bedroom				0
Three Bedroom				0

Gross Rents - Commercial	SF	Annual Rent	Extension
Retail	25,000	12	300,000
Bathrooms		0	0

Gross Rents - Annual			564,000
Vacancy	7%		-39,480

Effective Grosse Income (EGI - Net Rents)			**524,520**

OPERATING EXPENSES

Fixed Expenses			
Variable Expenses			
Operating Reserves			
Total Operating Expenses	25.0%		**131,130**

Net Operating Income			**393,390**
	DCR	1.25	
	Available for Debt Service	314,712	

Total Debt Service			**314,712**
Debt Service (1st)		314,712	
Debt Service (2nd)		0	
Debt Service (3rd)		0	

Cash Flow (Loss) before Capital Reserve			**0**
Capital Reserves	3%		15,736

Sources & Uses of Funds Worksheet

Property - 50,000 Square Foot Mixed-Use Project

Date

Prepared by:

Costs - Uses of Funds

Acquisition	**1,095,120**
Hard Costs	**6,342,225**
Soft Costs	**761,067**
Total Uses of Funds	**8,198,412**

Financing - Sources of Funds

Equity Contribution

Pre-Development Fees - Grants					$ 2,825,000
Seller Equity/Building Contribution					
Historic Tax Credits		0.20	0.90	-	
Developer Equity				975,000	
Public Grants	City Incentive			350,000	
Public Grants	Fee Waivers			400,000	
Other	Public Infrastructure			1,100,000	
Other					

Debt

First Mortgage — $3,905,274.17

Int. Rate	Term	Constant	Ann. Pymt.
7.00%	30	8.06%	314,712

Second Mortgage — Downtown Capital Fund

Int. Rate	Term	Constant	Ann. Pymt.
3.50%	20	#DIV/0!	0

Thrid Mortgage

Int. Rate	Term	Constant	Ann. Pymt.
6.00%	15	#DIV/0!	0

Total Debt Service 314,712

Total Sources of Funds	6,730,274
Gap	**1,468,138**

Appendix – B

Pro-forma Worksheet – Medium Catalyst Project

Space Use/Square Foot Hard Costs Worksheet

Property - 100,000 Square Foot Project					Date	
					Prepared by:	
	Location	**Use**		**Square Feet/Unit**	**Cost**	**Extension**
	Acquisition			20,000.00	80.00	1,600,000.00
	Demolition			20,000.00	25.00	500,000.00
	Basement	Parking		100.00	20,000.00	2,000,000.00
	First Floor	Retail		20,000.00	120.00	2,400,000.00
	Second Floor	Office		20,000.00	120.00	2,400,000.00
	Third Floor	Housing		20,000.00	120.00	2,400,000.00
	Fourth Floor	Housing		20,000.00	120.00	2,400,000.00
	Fifth Floor	Housing		20,000.00	120.00	2,400,000.00
		All Floors Total		100,000.00		
	Subtotal (includes Gen. Cont. O&P)					16,100,000.00
	Total					16,100,000.00

Total Development Cost Budget Worksheet

Property - 100,000 Square Foot Project	Date
	Prepared by:

Acquisition				1,600,000
	Land			
	Building			
	Title Insurance			
	Closing & Recording Costs			
Hard Costs				16,100,000
	Intervention			
	Subcontractor's Costs			
	General Contractor's Costs			
	General Contractor's Overhead		0	
		Permits		
		Insurance		
		Payment Bond		
		Performance Bond		
	General Contractor Profit		0	
Soft Costs				1,932,000
	Professional Fees			
		Architectural & Engineering Fees		
		Surveyor		
		Environmental Consultant		
		Attorney		
		Accountant		
		Appraiser		
		Marketing Research		
	Developer Fees			
		Developer Consultant		
		Owner's Representative/Project Manager		
	Financing Fees			
		Title Insurance		
		Loan Origination & Bank Fees		
		Closing & Recording Fees		
		Real Estate Taxes		
		Interest Expense		
	Other Fees			
		Broker		
		Lease-Up		
		Marketing		
	Reserves			
		Replacement Reserve		
		Operating Reserve		
Total Development Costs (TDCs)				19,632,000

Proforma Operating Statement

Property - 100,000 Square Foot Project	Date
	Prepared by:

INCOME/REVENUE

Gross Rents - Housing

		Qty	Monthly Rent	Extension
Studio	800	10	760	91,200
One Bedroom	1,000	19	950	216,600
Two Bedroom	1,200	4	1140	54,720
Three Bedroom	1,500	2	1425	34,200
Premium Units				
One Bedroom	1,200	9	1,440	155,520
Two Bedroom	1,500	3	1,800	64,800
Three Bedroom				0
		47		

Gross Rents - Commercial	SF	Annual Rent	Extension
Retail	35,000	18	630,000
Bathrooms		0	0

Gross Rents - Annual			1,247,040
Vacancy	7%		-87,293

Effective Grosse Income (EGI - Net Rents)			**1,159,747**

OPERATING EXPENSES

Fixed Expenses			
Variable Expenses			
Operating Reserves			
Total Operating Expenses	20%		**231,949**

Net Operating Income			**927,798**
	DCR	1.25	
	Available for Debt Service	742,238	

Total Debt Service			**742,238**
Debt Service (1st)		742,238	
Debt Service (2nd)		0	
Debt Service (3rd)		0	

Cash Flow (Loss) before Capital Reserve			**0**
Capital Reserves	3%		34,792

Sources & Uses of Funds Worksheet

Property - 100,000 Square Foot Project	Date / Prepared by:

Costs - Uses of Funds

Acquisition	**1,600,000**
Hard Costs	**16,100,000**
Soft Costs	**1,932,000**
Total Uses of Funds	**19,632,000**

Financing - Sources of Funds

Equity Contribution

Pre-Development Fees - Grants					$ 5,150,000
Seller Equity/Building Contribution					
Historic Tax Credits		0.20	0.90	-	
Developer Equity				1,950,000	
Public Grants	TIF Incentive			400,000	
Public Grants	Fee Waivers			400,000	
Other	Land			400,000	
Other	Pubilc Infrastructure			1,500,000	
Other	Land Clearance			500,000	

Debt

First Mortgage — $9,210,464.49

Int. Rate	Term	Constant	Ann. Pymt.
7.00%	30	8.06%	742,238

Second Mortgage

Int. Rate	Term	Constant	Ann. Pymt.
0.04%	15	#DIV/0!	0

Thrid Mortgage

Int. Rate	Term	Constant	Ann. Pymt.
6.00%	15	#DIV/0!	0

Total Debt Service 742,238

Total Sources of Funds	14,360,464
Gap	**5,271,536**

Appendix – B

Pro-forma Worksheet – Large Catalyst Project

Space Use/Square Foot Hard Costs Worksheet

Property - 275,000 Square Foot Project	Date
	Prepared by:

	Location	Use		Square Feet/Unit	Cost	Extension
	Acquisition			80,000.00	75.00	6,000,000.00
	Demolition			300,000.00	10.00	3,000,000.00
	Parking	Parking		300.00	18,000.00	5,400,000.00
	First Floor	Retail/Commercial		50,000.00	120.00	6,000,000.00
	Second Floor	Housing/Commercial		50,000.00	120.00	6,000,000.00
	Third Floor	Housing		50,000.00	120.00	6,000,000.00
	Fourth Floor	Housing		50,000.00	120.00	6,000,000.00
	Fifth	Housing		50,000.00	120.00	6,000,000.00
	Sixth	Housing		25,000.00	120.00	3,000,000.00
		All Floors Total		275,000.00		
	Subtotal (includes Gen. Cont. O&P)					41,400,000.00
	Total					41,400,000.00

Total Development Cost Budget Worksheet

Property - 275,000 Square Foot Project	Date
	Prepared by:

Acquisition				6,000,000
	Land			
	Building			
	Title Insurance			
	Closing & Recording Costs			
Hard Costs				41,400,000
	Intervention			
	Subcontractor's Costs			
	General Contractor's Costs			
	General Contractor's Overhead		0	
		Permits		
		Insurance		
		Payment Bond		
		Performance Bond		
	General Contractor Profit		0	
Soft Costs				4,968,000
	Professional Fees			
		Architectural & Engineering Fees		
		Surveyor		
		Environmental Consultant		
		Attorney		
		Accountant		
		Appraiser		
		Marketing Research		
	Developer Fees			
		Developer Consultant		
		Owner's Representative/Project Manager		
	Financing Fees			
		Title Insurance		
		Loan Origination & Bank Fees		
		Closing & Recording Fees		
		Real Estate Taxes		
		Interest Expense		
	Other Fees			
		Broker		
		Lease-Up		
		Marketing		
	Reserves			
		Replacement Reserve		
		Operating Reserve		
Total Development Costs (TDCs)				52,368,000

Proforma Operating Statement

Property - 275,000 Square Foot Project	Date
	Prepared by:

INCOME/REVENUE

Gross Rents - Housing

	SF	Qty	Monthly Rent	Extension	
One Bedroom	1000	100	1000	1,200,000	
Two Bedroom	1200	25	1200	360,000	
Three Bedroom	1500	20	1500	360,000	
Premium Units (top					
One Bedroom	1000	10	1250	150,000	
Two Bedroom	1500	10	1875	225,000	
Three Bedroom				0	
		165			

Gross Rents - Commercial	SF	Annual Rent	Extension	
Retail	75,000	18	1,350,000	
Bathrooms		0	0	
Gross Rents - Annual			3,645,000	
Vacancy	7%		-255,150	
Effective Grosse Income (EGI - Net Rents)				**3,389,850**

OPERATING EXPENSES

Fixed Expenses			
Variable Expenses			
Operating Reserves			
Total Operating Expenses	25.0%		**847,463**
Net Operating Income			**2,542,388**
	DCR	1.25	
	Available for Debt Service	2,033,910	
Total Debt Service			**2,033,910**
Debt Service (1st)		2,033,910	
Debt Service (2nd)		0	
Debt Service (3rd)		0	
Cash Flow (Loss) before Capital Reserve			**0**
Capital Reserves	3%		101,696

Sources & Uses of Funds Worksheet

Property - 275,000 Square Foot Project

Date

Prepared by:

Costs - Uses of Funds

Acquisition	**6,000,000**
Hard Costs	**41,400,000**
Soft Costs	**4,968,000**
Total Uses of Funds	**52,368,000**

Financing - Sources of Funds

Equity Contribution					
Pre-Development Fees - Grants					$ 15,362,500
Building Contribution	Street Right of Way/Parking Lot				
Building Contribution	Purchased Parcels			2,500,000	
Historic Tax Credits		0.20	0.90	-	
Developer Equity				5,362,500	
Public Grants	Tax Increment			1,500,000	
Public Grants	Site Improvments			1,500,000	
Public Grants	Fee Waivers			500,000	
Other	New Markets Tax Credits			1,500,000	
Other	Land Clearance			1,500,000	
Other	Brownfields Tax Credits			1,000,000	
Debt					
First Mortgage					$25,238,872.95

Int. Rate	Term	Constant	Ann. Pymt.
7.00%	30	8.06%	2,033,910

Second Mortgage

Int. Rate	Term	Constant	Ann. Pymt.
0.50%	15	#DIV/0!	0

Thrid Mortgage

Int. Rate	Term	Constant	Ann. Pymt.
6.00%	15	#DIV/0!	0

Total Debt Service 2,033,910

Total Sources of Funds	40,601,373
Gap	**11,766,627**

Metropolitan Policy Program
The Brookings Institution

"Downtown revitalization requires a high degree of cooperation and is best achieved when a unique 'private/public' process is used."

Turning Around Downtown: Twelve Steps to Revitalization

Christopher B. Leinberger[1]

Though every downtown is different there are still common revitalization lessons that can be applied anywhere. While any approach must be customized based on unique physical conditions, institutional assets, consumer demand, history, and civic intent, this paper lays out the fundamentals of a downtown turnaround plan and the unique "private/public" partnership required to succeed. Beginning with visioning and strategic planning to the reemergence of an office market at the end stages, these 12 steps form a template for returning "walkable urbanism" downtown.

Introduction

Over the past 15 years, there has been an amazing renaissance in downtowns across America. From 1990 to 2000 the number of households living in a sample of 45 U.S. downtowns increased 13 percent.[2] The fact that many downtowns have experienced such growth and development—in spite of zoning laws spurring suburban sprawl and real estate and financial industries that don't understand how to build and finance alternatives—is testament to the emotional commitment to our urban heritage and the pent-up consumer demand for walkable, vibrant places in which to live and work.

The appeal of traditional downtowns—and the defining characteristic that sets those that are successful apart from their suburban competitors—is largely based on what can be summarized as *walkable urbanism.*

Since the rise of cities 8,000 years ago, humans have only wanted to walk about 1500 feet until they begin looking for an alternative means of transport: a horse, a trolley, a bicycle, or a car. This distance translates into about 160 acres—about the size of a super regional mall, including its parking lot. It is also about the size, plus or minus 25 percent, of Lower Manhattan, downtown Albuquerque, the Rittenhouse Square section of Philadelphia, the financial district of San Francisco, downtown Atlanta, and most other major downtowns in the country.

But the willingness to walk isn't just about the distance. Certainly no one is inspired to stroll from one end of a super regional mall parking lot to the other. People will walk 1500 feet or more only if they have an interesting and safe streetscape and people to watch along the way—a mix of sights and sounds that can make a pedestrian forget that he is unintentionally getting enjoyable exercise. Depending on the time of day, the day of the week, or the season of the year, the experience of walking downtown will be entirely different, even if you are traveling along a well trod path. A new experience can be had, in fact, nearly every time you take to the streets.

Fostering such walkable urbanism is the key to the revival of any struggling downtown. But doing so can be a challenging process, requiring the development of a complex mix of retail boutiques, hotels, grocery stores, housing, offices, artists' studios, restaurants, and entertainment venues. A "critical mass" of these pedestrian-scale uses must be established as quickly as possible, before the initial revitalization efforts stall for lack of support. This means making certain that visitors can find enough to do for 4 to 6 hours; that residents daily needs can be comfortably met; and that rents and sales prices continue to justify new construction or renovation.

Ultimately, reaching critical mass means that the redevelopment process is unstoppable and cannot be reversed. At that point, an upward spiral begins to create a "buzz," increases the number of people on the streets, raises land and property values, and makes the community feel safer. More activity attracts more people which increase rents and property values creating more business opportunity which means more activity and people on the street, and so on. Simply put, in a viable downtown, *more is better.*

This contrasts starkly with suburban development, where *more is worse.* The lure of the suburbs is lawns, open space, and the freedom to travel by car. But adding more activity brings a geometric increase in automobile trips, more congestion, pollution, inconvenience, and the destruction of the very features that enticed residents and businesses to the suburbs in the first place. This drives the continuous sprawl which makes yesterday's "edge cities" obsolete, as demand and development marches outward to what Robert Lang calls "edgeless cities.[3] In fact, more suburban development nearly guarantees its decline as demand is pushed continuously toward the ever-expanding fringe.

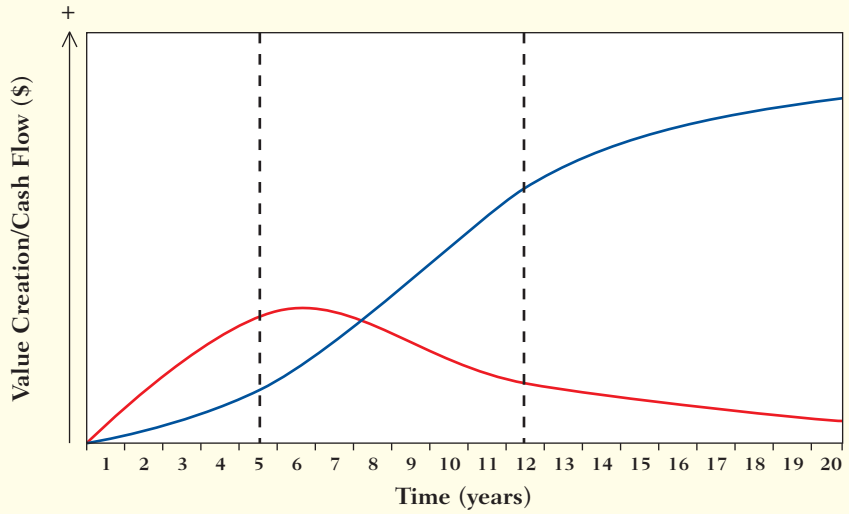
These divergent models of urban and suburban development also have very different financial structures. Conventional suburban development, based upon standard national formulas and car-friendly access and parking, financially performs well in the short-term but peaks in years 7 through 10. It is built cheaply to help drive the required early financial returns; besides, anything new looks reasonably good. Investors are not willing to commit to a specific site for the long-term since sprawl may take demand further out in less than a decade anyway. And so, in essence, they build disposable developments.

Downtown development exhibits an opposite pattern. Among many factors, including constrained sites and underground work, the construction budget for downtown development is also generally much higher because people are walking past the buildings in close proximity. In the suburbs, you drive past the buildings at 35 miles or more per hour and they are set back from the street by 100 feet or more, allowing cheaply built structures to suffice. However, the higher construction costs downtown mean that financial returns are reduced in the early years

There will be substantially better financial returns for a downtown asset, however, if the developer and investor hold the building for the mid- to long-term. This occurs because, in a revitalizing downtown, other developers and investors will build new projects within walking distance. This increases the excitement on the street, pushing up rents, sales prices, and property values of existing property owners, even if the owners have done little more than maintain their properties. As the *more is better* upward spiral of value creation takes place, the mid- to long-term holders of property are ultimately rewarded much more than suburban property owners, as represented in Figure 1.[4]

The real estate industry, which includes developers, service providers, and bankers and investors, has become extremely efficient in producing suburban development and reaping its short term rewards. Yet an increasing share of the market is now demanding other options. Numerous consumer surveys by national research firms—including Robert Charles Lesser &

Figure 1. Financial Characteristics of Downtowns with Critical Mass (Blue) versus Suburban Development (Red)



Source: Christopher B. Leinberger, Arcadia Land Co. and Robert Charles Lesser & Co.

Co., Zimmerman-Volk, and Real Estate Research Co. among others—have shown that between 30 percent and 50 percent of all households in the metropolitan areas surveyed want walkable urbanism. And certainly the rapid comeback of American downtowns over the past 15 years—along with the many new urbanist communities and traditional-looking "lifestyle retail" projects popping up in suburban locations—is on-the-ground evidence of pent-up demand.

Despite many developers' and national retailers' lingering reluctance to engage in urban markets, downtown research and experience of the past 15 years, along with the rediscovery of traditional urban planning principles, demonstrate that we have a better understanding of how to bring our downtowns back. It is no longer a mystery how to start a downtown revitalization process, though it is more complex than suburban real estate development, and takes longer than most politicians are in office. It requires a degree of cooperation that is difficult to pull off and is best achieved when a unique "private/public" process is used. Yet many downtowns have managed to revitalize their downtowns in recent years, and we have gained valuable insight as a result.

This paper attempts to summarize the lessons learned from many years of hands-on experience consulting in dozens of urban areas across the United States and Europe. These lessons have been condensed into 12 steps urban leaders should follow to successfully rebuild and reinvigorate their downtowns.[5]

The first six steps focus on how to build the necessary infrastructure, both "hard" and "soft," for turning around a downtown, and define the public and non-profit sector roles and organizations required to kick off the revitalization process. The next six steps are the means by which a viable private real estate sector can be re-introduced to a downtown that may not have had a private sector building permit in many years. In one fashion or another, this strategic process has been implemented by all of the downtowns in which the author has worked.

Every downtown is a little different in its physical condition, institutional assets, consumer demand, history, and civic intent, requiring that any approach be customized. Yet there are still common lessons, and more is learned each day. In spite of the many formidable obstacles, it is important to remember that every downtown has a unique set of strengths, no matter how depressed it might be; it is these strengths that must be built upon in developing the revitalization strategy. With enough consumer demand and the intention to succeed, there is a way.

Setting the Stage for Development

With conventional suburban development, the necessary pre-conditions for growth include the provision of roads, water, sewer, gas, electric and communications line extensions, public safety services, and schools. Creating walkable urbanism requires all of this and much more. There is a need for a physical definition of the place, a comprehensive strategy for the place to be created, and management to implement the strategy. Such a strategy must include, among other things, the creation of walkable streets and sidewalks; intra- and inter-core transit; shared-use structured parking; culture and entertainment; increased safety and cleanliness; and programming and marketing.

Early progress must be made in building this expanded definition of infrastructure—along with a believable commitment to provide the rest—in order to attract the private sector developers and investors who will ultimately drive the downtown turnaround. Only by re-establishing a private sector real estate market (the focus of steps 6 to 12) can a downtown prosper. In fact, successful downtown turnarounds have shown that for every $1 of public investment, there will be $10 to $15 of private money. The bulk of the public investment must be made in the early years, however, in order to set the stage for private development.

Step 1: Capture the Vision

The best intentions…

Beginning any journey, especially one as arduous as revitalizing a depressed downtown, requires *intention*. Without the intention of actually revitalizing a downtown, there is little reason to begin the process in the first place. There are many skeptics that will never see the point of bringing back an obsolete, forsaken downtown and give it little if no chance of succeeding. If there is one bromide heard by most people with experience working on downtown revitalization efforts, it is a suburban resident saying something to the effect of "I haven't been downtown in 20 years and have no reason or desire to go there ever in the future." If this attitude predominates in the business, real estate, non-profit and public communities, it may make sense to reconsider the community's ability to pull it off.

Another reason for re-considering whether to start a downtown revitalization effort is if there has been a recent (within 20 years) failure of a previous attempt. It takes a full generation to get over the collapse of a revitalization effort and the injection of fresh leadership unencumbered with the "we tried that once and it did not work" mindset.

Determining whether the intention for a long-term effort is present in the community requires the mining of the most important asset a downtown revitalization has: memory and the emotion it unleashes. This is surprisingly powerful asset has always had a hidden impact on the tough, bottom-lined real estate business. Emotion is the reason we generally overpay and over-improve our homes, where 50 percent of national real estate value lies.[6] Emotion is why we create great civic structures, such as city halls, performance halls, arenas, and museums. Emotion is the reason great historic buildings are renovated, even though the cost of renovation is usually greater than tearing down and building a new building.

Contrary to evocative memories of downtowns past, however, is the reality of the great suburban land rush, starting in the 1950s, which led to the disinvestment in our downtowns in the first place. The desire for a suburban American Dream led to it being legally mandated and massively subsidized, essentially becoming *de facto* public policy. The market desire to embrace suburban living—a historically unique experiment in city building—combined with the subsidies for suburban growth, left our downtowns and surrounding neighborhoods to decline. With the exception of Manhattan and the downtowns of Boston, Chicago, and San Francisco, nearly every downtown in the country went into severe decline, virtually becoming "clinically dead," to the point that market rents and sales prices could not warrant new construction or redevelopment, except for some construction during the office boom of the 1980s.

Nonetheless, many of those who grew up in the 1940s, 1950s, and 1960s, when our downtowns were still vibrant, if fading, have indelible memories of the place. Downtown in the

afterglow of World War II was "where all the lights were bright," where first dates occurred, where parents worked and parades were held. The downtowns of this era were where you went for the fancy department stores and to see tall buildings. It was where the sidewalks were jammed with people, unlike any other place in the region. Today, in many cases, those who remember the downtowns of yore are now in positions to do something about their current decline.

Of course, there are also significant fiscal and financial motivations to undertake a downtown revitalization process. By definition, a downtown recovery means more residents and more jobs, in both the downtown itself and eventually in other parts of the city. It also means more out-of-town and suburban visitors bringing more outside money into the area. Further, experience shows that the most expensive real estate in a metropolitan area is increasingly found in revitalized downtowns. The public sector realizes significant fiscal benefits as a result, the most obvious accruing from increased tax revenue.

Downtown revitalization can bring additional economic development benefits as well. With increasing demand for walkable urbanism and a dearth of such neighborhoods in most metropolitan areas, cities with vibrant downtowns have a better shot of recruiting or retaining the "creative class" of workers economists, like Richard Florida, have shown is key to future growth.[7] When the strategy for downtown Albuquerque was being crafted, for example, a senior executive from Sandia National Laboratory spent many hours volunteering in the process. However, the laboratory—employing 5,000 scientists, engineers, and professional managers—is located five miles from downtown. When asked why he spent so much time on the downtown strategy, he replied, "If Albuquerque does not have a vibrant, hip downtown, I do not have a chance of recruiting or retaining the twenty-something software engineers that are the life's blood of the laboratory." If 30 percent to 50 percent of the market cannot get walkable urbanism, why would they come or stay in a place without that lifestyle option when Austin, Boston, and Seattle beckon? A purely suburban, car-dominated metropolitan area is at a competitive disadvantage for economic growth.

Rallying the troops, setting the vision

Once the motivation is clearly there, the downtown revitalization process generally begins by lining up the political and business stars. Perhaps a mayor has been elected with downtown revitalization as a major priority. Or a foundation's board or executive director decides to provide grants to start the process. It could be the state governor who feels that in-fill, smart growth investment in downtowns should receive financial or other incentives. Whatever the specifics, it probably starts with a handful of people who make it their top priority. These people and the other stakeholders they select should come together as an informal downtown advisory group. The group should include representatives of local government, neighborhood groups, retailers, business owners and managers, non-profit groups, service providers, arts groups, etc. The advisory group will fundraise, and begin early stage planning.

A good starting point is to engage in a "visioning" process. While denigrated by some for being "soft and fuzzy," a visioning process not only determines if there is community support but it also uncovers the emotional, economic, and fiscal reasons for turning around the downtown. This process should be professionally managed, with money allocated to pay for it. It is best if the money raised starts the entire revitalization process off on the right foot; it should be primarily private and non-profit sector funded. The public sector can and should participate, both to have a stake in and to give legitimacy to the process. This will eventually give way to a *private/public* partnership, an intentional reversal of the way this phrase is usually stated.

It is also often useful for the advisory group, and anyone else who wants to come along, to visit comparable downtowns throughout the country which have undertaken a redevelopment process. Probably the most visited model downtowns over the past decade have been Baltimore, Portland (OR), Chattanooga, Denver, and San Diego. The visits can provide insights into what worked and what did not but more importantly, they help demonstrate that revitalization is possible. Every downtown has unique assets that must be understood and built upon to achieve the turnaround. It is a rare downtown that cannot succeed, if there is the intention.

During this period, it is important that the advisory group undertake research to create a technical portrait of downtown. Such a portrait includes the history, a definition of its size and specific boundaries, the number of jobs and businesses, its role in the local economy, the contribution downtown makes to local government taxes, the structure and state of its transit system, the condition of the infrastructure, etc. The assets of downtown need to be identified as well, including universities, hospitals, neighborhoods, housing stock, and cultural organizations. A short report summarizing this information will become the basis for the rest of the effort.

After drafting the technical report, a more subjective picture of downtown needs to be compiled—what is valued, what is missed, what is good, what is negative, and some of the stories that make it special on a personal level. It is also essential to explore the hopes of people regarding what downtown could be. This information can be obtained through public meetings, surveys, focus groups, newspaper polls, informal voting, school contests, or other methods. Summarizing these findings in a brief report will complement the technical portrait.

After the technical and subjective findings have been collected and documented, a series of special public meetings should be held to further engage the citizens of the region. The findings should be presented and vetted, and participants should be queried regarding their vision for downtown—what is absent from their lives that downtown could provide, and what would make them visit, work, and maybe even live there. Once these meetings have been completed, the advisory group must determine if there is the vision and the will to take on the major, long-term process of reviving a downtown. If not, it is better to determine that early than to waste time and resources better spent on some other civic undertaking. Moreover, taking on a revitalization process that is doomed to failure means that another effort will probably not be undertaken for another generation.

Summarizing the findings of the visioning process and widely disseminating it throughout the city is an important wrap-up step. Once the advisory group ascertains that they have correctly identified downtown's assets, as well as the challenges that must be addressed, they will have laid a good foundation for the next step in the process—developing the strategic plan.

Step 2: Develop a Strategic Plan

Downtown is one of the largest mixed-use developments in a metropolitan area. However, there is almost never a strategic plan for downtown, nor any formal management of it. By contrast, the typical regional mall, a much smaller and far simpler development, has a comprehensive strategy for the positioning of the mall and 24/7 oversight.

Having a strategy and management plan for downtown is absolutely imperative. It is even more critical when you consider that achieving *walkable urbanism* is a complex "art" that may be achieved by accident given a couple hundred years, but which requires concerted planning and strategic implementation by many organizations to accomplish in a shorter time frame.

Building upon the memory and vision outlined in Step 1, strategic planning takes a comprehensive approach to creating walkable urbanism that encompasses many individual strategies. These strategies fall into ten categories:

- **Character.** Define the boundaries of downtown, how dense it should be, and how it addresses the immediate surrounding neighborhoods. Generally, urban character (floor area ratio over 1.0) is selected for the core of the downtown, pushing densities to the highest level in the metropolitan area. If there is a suburban character (floor area ratio of between 0.2 and 0.4) in the neighborhoods surrounding downtown, this can and should be maintained, thus providing those residents with the best of two worlds: suburban homes a short distance from walkable urbanism.

- **Housing.** Encourage a vast array of moderate and high density housing at both market rate and affordable levels. Downtown planners must work to ensure that such housing is

legally allowed. They should also take an inventory of city-owned land and buildings that could be available for early development or redevelopment since the land will have to be written down or creatively provided to make it financially feasible in the early years of the turnaround process. It is important to realize that housing is two-thirds of the built environment, so it is always a critical part of the strategy.

- **Retail.** Determine the retail concentrations that a downtown market could support, including urban entertainment (movies, restaurants, night clubs); specialty retail (clothing, furniture, and jewelry boutique stores); regional retail (department stores, lifestyle retail); and local-serving retail (grocery, drug, book, video stores). These different retail options should be concentrated into walkable districts, creating, in essence, regional destinations that give the area critical mass, identity, and a reason to live there.

- **Culture.** Determine which one-of-a-kind cultural facilities should be downtown and how existing facilities can be strengthened. With very few exceptions, these facilities—arenas, stadiums, performing arts centers, museums, historic sites and buildings, and others—do in fact perform better downtown.

- **Public Infrastructure.** Focus on essential issues such as water and sewer, intra-core transit, transit to the downtown, structured parking, conversion of one-way streets to two-way, tighter turning radiuses at intersections for a better pedestrian experience, and enhanced security and cleanliness, among others. Parks and open space, and, when appropriate, opportunities for waterfront development, should also be included in the strategy. Paying for this new and improved infrastructure often involves "tax increment financing" ("TIFs"), a controversial tool in some places, which usually needs state legislative authorization.

- **Employment.** Focus recruitment efforts on businesses that could be downtown, which includes both "export" employment (businesses that export goods and services from the metropolitan area which provide fresh cash into the economy) and regional-servicing employment (support businesses or organizations which locate in regional concentrations such as downtown). Generally these strategies occur later in the turn-around process, after a critical mass of urban entertainment and housing has occurred.

- **Community Involvement.** Ensure that citizens, particularly residents of surrounding neighborhoods, have continuous opportunities for input and involvement. It is also important to keep the opinion-makers and the media informed about the revitalization process, as the public image of downtown during the early phases of revitalization is generally negative. One example is creating a local cable TV show highlighting individuals and businesses helping turn around the downtown, putting a human face on the revitalization effort.

- **Involvement of Non-profit Organizations.** Bring existing non-profits into the process, and create new organizations to fill needed roles. These include business improvement districts and possibly a transportation management organization, as well as temporary task forces, a parking authority, an arts' coordinating group, and others.

- **Marketing.** Continuously market downtown, as well as specific new downtown events. The image of most downtowns is so negative prior to revitalization and such skepticism exists during the early phases that constant attention must be paid to re-positioning the area. It is especially important to communicate the strategy and progress in implementing it to the investment and banking community so they will have faith in the process in which they are being asked to invest.

- **Social Values.** The social values of downtown need to be defined and plans put in place to enforce them. The ultimate goal of a downtown revitalization is to make it the community gathering place, a place for the entire community regardless of income or race. Housing affordability and other "equity" programs may be essential components of the revitalization effort.

The process for determining the comprehensive strategy starts by bringing together an expanded version of the advisory group. The group should include neighborhood group representatives, retailers, investors, developers, property owners, churches, the mayor and key city councilors, the heads of select city departments, non-profit organizations, artists, homeless advocates, and others. Selecting the right composition is extremely important to ensure that no significant group feels left out. The group needs to be relatively small (less than 25 individuals), however, in order to both build a sense of trust and cohesion and, ultimately, to ensure the process stays focused on results. It is also crucial that the individuals be people who are interested in successful solutions, not narrow political gain.

Two one-day sessions devoted to the strategic planning process, separated by about a month, are generally sufficient to crafting the strategy and implementation plan. Before the first day, a "briefing book" should be assembled to provide the group with a common set of data about the existing conditions downtown. This briefing book should include findings from the visioning process (technical and subjective portraits), market and consumer real estate research for all product types (office, hotel, rental housing, retail, etc.), data on the existing condition of the downtown infrastructure and public services, and other relevant information.

The first day will be used to introduce the group to one another and to understand the contents of the briefing book. The day will also lay out the possible strategic options, outlined above, that need to be considered in crafting a strategy. In the next meeting, participants will develop the strategy, selecting the general and specific items that are most appropriate for their downtown. Finally, the group will determine what initially needs to be done to implement the individual strategies, who is responsible for these next steps, and when these steps should accomplish.

The results of the strategy and implementation plan should be summarized in writing very quickly after the second meeting and distributed for comments. A final plan will probably be only 10 to 15 pages long and should be sent out to politicians and citizens as part of the marketing and community involvement strategies.

Follow-up sessions should be scheduled every few months to constantly modify the strategy and monitor progress on its implementation to date. At each subsequent meeting, a new implementation plan should be fashioned with tasks and dates assigned to volunteers and the next follow-up session set.

Step 3: Forge a Healthy Private/Public Partnership

Successful downtown revitalizations are generally private/public partnerships, not the other way around. The public sector, usually lead by the mayor or some other public official, may convene the strategy process but it must quickly be led by the private entities whose time and money will ultimately determine the effort's success. A healthy, sustained partnership is crucial to getting the revitalization process off the ground and building the critical mass needed to spur a cycle of sustainable development.

The key to the public sector's successful involvement in downtown redevelopment is to avoid making it overly political. Once it has been launched, it is essential for future politicians to "keep their hands off" to the maximum extent possible. Unfortunately, this can be difficult. With an eye on future elections, they often seek acclaim for positive things happening in their city and look for people to blame if it suits their agenda. And once the downtown revitalization process appears to begin yielding results, there is added motivation for politicians to want to take control over the process.

It is important to the revitalization process that the private sector not cave-in to this pressure. Investors, developers, and volunteers helping to revive downtown are motivated by emotion, passion, long-term financial returns, and many other unique and personal reasons. A politician trying to advance his career can very easily quash this momentum and destroy the private/public partnership in the process.

All this is not to say that the public sector should be completely laissez-faire. City leaders must be absolutely committed to the process both in word and in deed, and be willing and able to do what it takes to help create the right environment for private sector development and investment.

The potential roles of the public in this process can vary tremendously based upon the needs of the particular downtown and how much political capital politicians are willing to expend in the effort. There are a host of activities the public sector may be well-positioned to undertake, however, such as improving public safety, increasing transit options and availability, constructing parking facilities, attracting and retaining employment, providing appropriate tax incentives for new real estate development, developing an impact fee system, assembling land, and perhaps most importantly, creating easy-to-use zoning and building codes to enable the walkable urbanism that defines a thriving downtown.

Step 4: Make the Right Thing Easy

If the downtown area around Santa Fe, New Mexico's much beloved and vibrant 400 year-old Plaza burned to the ground, legally it would only be possible to rebuild strip commercial buildings, likely anchored by Wal-Mart Super Centers, Home Depots, and the other usual suspects.

In downtown Santa Fe and dozens of others around the country, zoning and building codes of the past fifty years actually outlaw the necessary elements of walkable urbanism. In many cities, for example, often well-intended setback and floor-area ratio rules mean that new construction cannot maintain consistency with older historic structures. Also, excessive parking requirements can create large surface lots fronting once-lively streets, eroding the vitality of otherwise coherent places. Coupled with an emphasis on separation of land uses and limited densities, downtown revitalization becomes nearly impossible from a legal perspective.

Rather than reform the existing zoning codes—which often makes them even more confusing and cumbersome—it is generally best to throw them out and start from scratch, putting in place a new code that will make it easy to produce the density and walkability a downtown needs to thrive.

First and foremost, the new code must clearly delineate downtown boundaries such that boundary lines are not in the middle of streets but inclusive of both sides. It is important that the line be firm, to ensure that the character of the surrounding neighborhoods remains intact. Most neighborhoods close to a reviving downtown see significant housing value increases as a result.[8]

Second, once the boundaries are agreed upon, a "form-based" code should be put in place that reinforces the development of walkable urbanism. Unlike traditional zoning codes, which focus on allowed uses, form-based codes focus on form, namely, how building envelopes—and ultimately whole blocks—address the street. They do not mandate parking ratios, making the assumption the investors and bankers in a project are better able to decide what makes market sense. Most importantly, the form-based code is simple and allows for great flexibility and certainty in obtaining building permits. The Downtown 2010 Plan for downtown Albuquerque, for example, has 21 principles that are the core of the code. One of the codes states "Streets and sidewalks lined with buildings rather than parking lots," and there are three pictures of examples, one with a "X" through it. Once a developer demonstrates these 21 principles are being followed, they are issued a building permit in three weeks administratively.[9]

Encouraging this mixed-use development is central to creating walkable urbanism. Conventional suburban development is legally mandated and financed for single purpose uses

customized to a single tenant; you will always know a building was built for a McDonald's even if it is now a Chinese takeout. By contrast, the form-based downtown code encourages retail, residential or live/work on the first floor, and residential, hotel or office on the upper floors. It also recognizes that what is an office building today may be a residential building tomorrow, or vice versa.

Third, the new code must re-establish the historic right-of-way fabric of the city, whether it was laid out as a classic American grid or as a seemingly more random collection of streets. Most downtowns were created before the automobile and were thus required to be walkable. Yet over the years, streets as freeways (one way streets meant to encourage automobile speed), streets as regional malls (streets closed off to traffic), and streets as on-ramps became ubiquitous fads. Restoring the original street right-of-way fabric, including tight corner turning radiuses, will bring back one of downtowns major assets and help re-create the walkable urbanism these cities were designed for.

Finally, adopting the new 2004 International Building Code is a major step in the right direc-

Chattanooga

By the 1980s Chattanooga, TN had terrible air and water pollution, a declining economy and population base, and few prospects. At that time the downtown was in the typical condition of many across America: employment in the financial service, government, and professional services sectors—along with one major insurance company headquarters and the headquarters of TVA—dominated downtown., There was little entertainment, only one department store, and virtually no housing. Downtown was a 9-to-5, weekday place.

All this began to change in the mid-1980s, as Chattanooga Vision set out to determine if there was any intention by the citizens to see their sadly neglected downtown revive. Over several years, this non-profit organization—funded by the Lyndhurst Foundation, the city, and the county—polled residents, held countless meetings, and did research on what made downtown Chattanooga special. The major finding was that the downtown turned its back on its major asset, the Tennessee River. From here a tremendous effort was started to turn downtown around.

Engendering great citizen, business, and political support backed by a strong vision of what citizens wanted the downtown to be, Chattanooga's civic leaders initiated a strategic planning process for downtown in 1987. The strategy's primary goal was to make a walkable connection to the Tennessee River, and there were 14 task forces set up to make it happen. These task forces focused on building the world's largest fresh water aquarium, improving the streetscape, obtaining specialty retail, putting in place a "clean" circulator bus system, building parking garages, introducing housing, building a children's museum and, most importantly, creating a river walk to integrate the downtown with the Tennessee River.

Much of the success of this strategy was the result of the River Valley Company, a non-profit "catalytic" development firm that took above market-rate risks to get initial projects underway, showing the private sector that there was demand for new developments. Within four years, nearly everything laid out in the original strategy had been accomplished. Since then, Chattanooga has continued with ever more ambitious strategic plans, and implementation success, including new baseball and football stadiums, an ambitious and successful affordable housing program, a new neighborhood in an abandoned industrial area, two new public schools, another phase of the aquarium, hotels, more retail, a multiplex movie theater, and many other improvements.

Through strategic planning, a catalytic development company, appropriate government involvement, philanthropic and private sector investment, downtown Chattanooga has become a "poster child" for how to undertake a winning revitalization process.

tion. Among other things, this code allows for higher density, "stick-built" construction, many times the only financially feasible construction type for new residential. Adopting a rehabilitation code similar to the current New Jersey Rehabilitation Subcode can cut costs for historic rehabilitation by up to 50 percent, making historic rehabilitation much more feasible. It works under the assumption that historic buildings need not imitate new construction in every detail for it to be safe and accessible. For example, many historic buildings have been torn down because, among other things, their five foot marble clad hallways were not up to the new building code, which is six feet, and could not be widened in an economical manner.

Step 5: Establish Business Improvement Districts and Other Non-Profits

One of the leading ways the private/public process is implemented is through various non-profits, particularly business improvement districts (BID). There are over 1400 BIDs in the country and it is now well understood that establishing a BID is crucial to the successful revitalization of a downtown. In essence, the BID is the quasi-government for the downtown, the "keeper of the flame" of the downtown strategy, and the provider of services the city government cannot deliver.

A downtown BID is funded by property owners who voluntarily increase their property taxes by 5 to 15 percent to pay for BID functions. The tax is collected through the normal city channels, so there is always the temptation by the city council or mayor to co-opt the use of those funds. It is important that the legislation, typically enacted by the state legislature, be written to mandate control of the funds by the BID's board of directors.

The BID's main leadership role is managing the implementation of the strategy, which must be constantly updated. The BID may be responsible, for example, for ensuring the various task forces charged with implementing parts of the strategy are motivated to complete their efforts. The BID might also create a new signage program for downtown, work for the development and approval of the form-based code, and market the downtown to new developers.

The BID's operational role is usually (1) increasing the perceived and actual safety of downtown; (2) making the place cleaner; (3) creating festivals and events to encourage suburbanites to come downtown, and; (4) improving downtown's image. BIDs typically include a force of trained "safety ambassadors" who offer a friendly face on the street, are trained to handle quality of life infractions, and who are wired to the police. They also have permanent staff performing the cleaning, events, and marketing functions.

The downtown revitalization effort may spur the creation of additional non-profit organizations. A parking authority can often more efficiently manage and market the availability of parking in downtown, for example. Another non-profit could take responsibility for encouraging the development of affordable housing and commercial space. A separate non-profit might focus just on keeping artists and galleries downtown in the face of rising rents and values. It is critical that these non-profits either have a dedicated source of funding and/or offer services which generate revenue so that they don't have to rely upon perpetual foundation grants or government subsidies.

In short, the BID and other non-profits are a downtown's management team—ensuring its many complex elements work together to create a safe, attractive, unique, and well-functioning place.

Step 6: Create a Catalytic Development Company

Most conventional suburban developers do not have the experience, investors, bankers, or inclination to come downtown. The difference between modular, single product, car-oriented suburban development and integrated, mixed-use, walkable urban development is substantial. And the very fact that a downtown sorely needs revitalization generally scares off the development community. The market risk is perceived as

being too high for most developers, most of whom do not relish being pioneers.

Revitalizing downtowns have overcome the problem of attracting developers by establishing a "catalytic developer." This organization is formed to develop the initial projects that the market and consumer research shows have potential demand but above market risk. The catalytic development firm demonstrates to the rest of the development community and their investors that downtown development can make economic sense.

A catalytic development company can engage in varying activities in the development process. Among the possibilities are: undertaking land assemblage and land development to prepare lots for new construction; financing the gap between conventional financing and the amount of money required to make the project happen; or developing a complete building from start to finish.

In the early years of the revitalization process, it is probable that the catalytic development firm will have to engage in complete building development. Eventually, once the market is proven, the catalytic developer can joint venture with other building developers, possibly providing land for deals. In a successful downtown, the catalytic developer will eventually work itself out of business as more developers come to understand the financial benefits of downtown development.

The major challenge the catalytic development firm faces, particularly in a clinically dead downtown, is that until critical mass is reached, it is likely there will be little return on invested equity capital. There will be projects that will take far longer to develop and lease up than conventional development. There will be financial returns which do not appear to be worth the market risk. And there may be projects that fail altogether. However, once critical mass is achieved, the catalytic developer should be well-positioned to take advantage of the upward spiral of value creation that should occur downtown. There should hopefully be sufficient land and buildings tied up at favorable prices that will rapidly appreciate in value as the spiral takes off.[10]

Given the fundamentally different approach to development that is required to create walkable urbanism, a catalytic developer pioneers this new market and speeds up the revitalization process. It deviates from traditional development, particularly regarding construction quality and investment time horizon, but given the upward spiral of value creation that downtowns can potentially generate, it can be an attractive approach from a financial perspective. A catalytic developer is a manifestation of "doing well while doing good" or "double bottom line" investing.

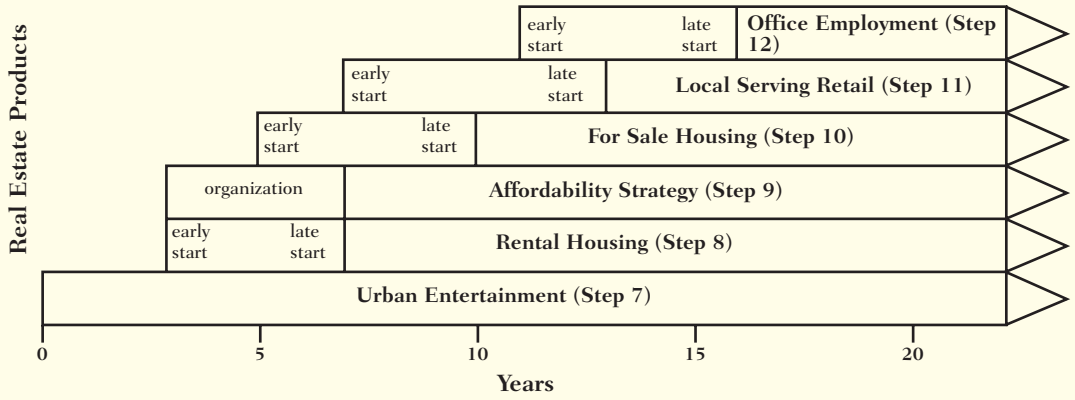
Implementation of the Real Estate Strategy

Once the stage for downtown development is set, as outlined in the first six steps above, the private real estate market begins to emerge. The implementation of the real estate strategy for downtown revitalization follows a process observed over the past 20 years in most downtowns throughout the country. It involves an overlapping layering of ever greater complexity that ultimately leads to a critical mass of walkable urbanism. It starts with urban entertainment, which creates a "there there," the initial reason people want to live downtown. It is followed by rental housing, where young urban pioneers come for a unique lifestyle not available in the suburbs. Rental housing is followed by for-sale housing, usually targeting older households who are willing to put their largest household asset, their home, in a reviving downtown. As the number of rooftops downtown increases, the need for local-serving retail becomes obvious. Finally, office employment expands and there is a need for more office space. Through this process, land and building values accelerate, necessitating mechanisms very early on to ensure affordability for residential and commercial space.

This implementation process takes any where from 10 to 20 years from the time the initial urban entertainment appears until the first new speculative office building is built. However, given that for-sale housing comprises half of the built environment, critical mass is usually achieved once there is a proven for-sale housing market, usually in six to ten years.

These next six steps outline how a downtown can become a viable, sustainable, private real estate market, propelling the upward spiral of value creation.

Figure 2. Downtown Real Estate Strategy Time Chart



Source: Christopher B. Leinberger, Arcadia Land Co. and Robert Charles Lesser & Co.

Step 7: Create an Urban Entertainment District

Walkable urbanism starts with urban entertainment venues and retail that are within walking distance of one another. It must be in place before households can be enticed to move downtown.

It all starts, as in any real estate development, with market demand. Understanding which of the many urban entertainment options that have the greatest potential for success is a crucial first step. These can include:

- **Arenas, performing arts centers, or stadiums.** Since 1990, the vast majority of all new arenas, performing arts centers, and stadiums have been built downtown. They work better financially by having higher average attendance than their suburban competitors, and there is significant economic spin-off within walking distance.

- **Movie theaters.** The new generation of movie theaters—mega-plexes with digital sound and stadium seating—also benefit from a downtown location, assuming large amounts of evening and weekend parking can be provided for free. They also spark significant restaurant demand.

- **Restaurants.** A crucial part of any urban entertainment strategy, downtown restaurants provide lunch for the office workers and dinner for the night-time crowd, broadening their appeal and financial success.

- **Specialty retail.** Unique clothing, shoes, cosmetics, gift, and other specialty stores—as well as service providers such as day spas and design studios—can be attracted downtown. These will be mostly small, locally-owned retailers but will also include national chains.

- **Festivals.** One of the initial urban entertainment concepts, street festivals can be introduced relatively quickly to a reviving downtown since there is little or no capital outlay.

- **Arts.** The vast array of arts organizations, particularly music performers and visual artists, has a natural affinity for downtown. They are generally in the vanguard of urban dwellers.

Arts festivals, galleries, museums, and workshops are among the best and earliest urban entertainment providers.

- **Night Clubs.** Generally aimed at people in their 20s and 30s, night clubs also have a natural affinity for downtown; these venues tend to be loud and stay open late so there are constraints on where else they can locate in the region.

These urban entertainment concepts appeal to different clientele, yet can all be accommodated within walking distance. There can be a night club district a few blocks away from the performing arts center. There can be an arts district close to a movie theater and restaurants. An arena can be shoe-horned near office towers, double using the commuter roadways, transit, and office parking lots. This complexity gives all sorts of people a reason to come downtown, which is particularly important in the early years when downtown's image may not be positive.

The most important benefit of entertainment is to get "feet on the street," especially at night. And just as a crowded restaurant is the best recommendation that it is a good place, crowded sidewalks recommend downtown, signaling a safe environment, and providing an excitement and spectacle that draws people to the area.

Step 8: Develop a Rental Housing Market

The initial urban pioneers looking to live within walking distance of the urban entertainment growing in downtown will tend to be young, often students and those in their 20s. This age group was probably raised in the suburbs, and probably doesn't have as negative an impression of downtown as their elders. They also look upon it as exciting and interesting, especially compared to where they were raised.

The young also tend to rent, as they don't have the assets, income, or location stability required to buy a home. They are more flexible, tied only to the lease they have signed, probably for a year or less. Once an urban entertainment concentration begins to emerge, this group generally has both the propensity to move downtown, and the ability to make the move quickly.

Rental housing projects can be conversions of existing office, industrial, or institutional buildings or new construction. The renovation of existing buildings offers some of the most exciting new housing options, as they are unlike other rental products in the regional market. Though often a source of great challenge for developers, converting obsolete, sometimes decrepit buildings into attractive, active uses has ancillary benefits. This type of development also begins to take lower end, class C office buildings off the market, paving the way for the eventual recovery of the office market.

New construction of rental housing has its own unique trials. While construction costs are much better known up front, with fewer surprises than conversions, these new costs tend to be high. There is no existing steel or concrete structure frame, parking, or re-useable heating and cooling systems to recycle. Since apartment rents tend to have an absolute ceiling in any market, the cost of new construction must come in at a level that is financially feasible, which can be very difficult to do, especially early in the redevelopment process when rents are probably low.

Like suburban development, an initial downtown turnaround requires sufficient parking. Only after critical mass is reached will parking ratios begin to drop, as more of the residents are walking or taking transit for their daily needs. The majority of the parking for rental apartments typically needs to be on-site. While converted office or industrial buildings may have more than sufficient parking, new construction will likely require structured parking, which is approximately 10 times more expensive than surface parking to build. In either case, the amount of parking on the site will drive the number of units that can be built.

In spite of the obstacles, downtown can often achieve the highest rents in the metropolitan area. If you offer a unique rental product in a unique, walkable downtown that is on the way back, the rents are likely to float to the top of the market.

Albuquerque

Since 1945, 31 studies have been conducted on how to turn downtown Albuquerque around. Every one of these studies focused on one or two "solutions," such as a new convention center, a civic plaza, streetscape improvements of the main retail street (redone twice), a pedestrian mall, and so on.

None of these "magic bullets" worked.

Then, in 1998, the newly elected Mayor Jim Baca made revitalizing downtown his number one priority, building upon initiatives started by his predecessor, Mayor Martin Chavez. He convened civic and business leaders to ask whether they would contribute the necessary financial and other support to kick off a strategic planning process. Within 15 minutes, $150,000 in contributions had been pledged, and the strategic planning process took off.

The strategy process resulted in 17 task forces to implement plans for constructing new parking structures, creating a business improvement district, building a new arena, sparking the development of new housing, developing a signage program, and replacing the existing zoning code with a "form-based" code that was easy to understand and resulted in building approvals in a rapid 21 days. In addition, a catalytic development company, the Historic District Improvement Co. (HDIC), was identified to help re-introduce private real estate development to downtown, where there had not been a private-sector building permit in 15 years.

HDIC is a for-profit/non-profit joint venture, organized as a for-profit limited liability corporation. It is partly owned by two non-profits, the McCune Charitable Foundation and the Downtown Action Team, which manages the BID; and the for-profit managing member is Arcadia Land Co, a new urbanism development company. HDIC combines the long-term, social perspective of its non-profit partners with the "get it done yesterday" perspective of a for-profit firm.

The McCune Foundation investment in HDIC has been unique in the nation. Characterized as a "program-related investment" (PRI), McCune provided below-market interest rate loans to HDIC to spur downtown development, making it one of the first times a foundation has attempted to line up its charitable mission with its investments. The foundation offered a type of investment capital that is crucial for downtown redevelopment yet is extremely rare: patient capital. Combined with the social mission of the foundation, this patient capital allows for much higher quality projects to be built with the kind of construction walkable urbanism demands. The managing member, Arcadia, is also in a position to be patient in achieving financial returns.

HDIC has developed over $50 million in new projects between 2000 and 2004, including a 14-screen movie theater, restaurants, specialty retail, office, and for-sale housing. It has an additional $60 million in the planning pipeline, which is primarily housing.

In the past two years, there have also been a number of new developers attracted to downtown Albuquerque. HDIC has provided these prospective developers access to its market and consumer research, introductions to their investors and bankers, and partnerships on parcels HDIC controls. HDIC has recently acted as the land, or horizontal developer, partnering with a building or vertical developer for 109 units of new rental housing. After critical mass is achieved in downtown, it is probable that HDIC will go out of business, leaving the field to private developers attracted to the then proven market, and it will eventually return the capital, hopefully significantly appreciated, to the McCune Foundation.

In 2003, National Public Radio's Smart City program called downtown Albuquerque "the fastest downtown turnaround in the country," due to the implementation of its complex strategy for downtown. To date, there has been over $400 million of new public and private sector development in downtown Albuquerque since the development and initial implementation of the 1998 strategy.

Step 9: Pioneer an Affordability Strategy

Like most things in life, turning around a downtown means good news and bad news. The good news is that if a critical mass of walkable urbanism is created, the rents, sales values, and land values will probably be the highest in the metropolitan area, rewarding those willing to take the risk, build high quality construction, and wait patiently for returns. The bad news is that the values will be some of the highest in the metropolitan area, meaning only the well-to-do can live downtown. To address this issue, an affordability strategy must be developed early-on in the revitalization process.

The issue of affordability generally focuses on housing. Specifically, lower paid workers who are employed downtown will not be able to afford the newly converted or new construction rental or for-sale housing due to the basic cost to deliver the product, and the high demand generated for it. Federal government-sponsored affordable housing programs have recently been cut back and the red-tape is discouraging to some developers. And the community development corporations (CDC's) who specialize in affordable housing generally do not have the capacity to fill the need.

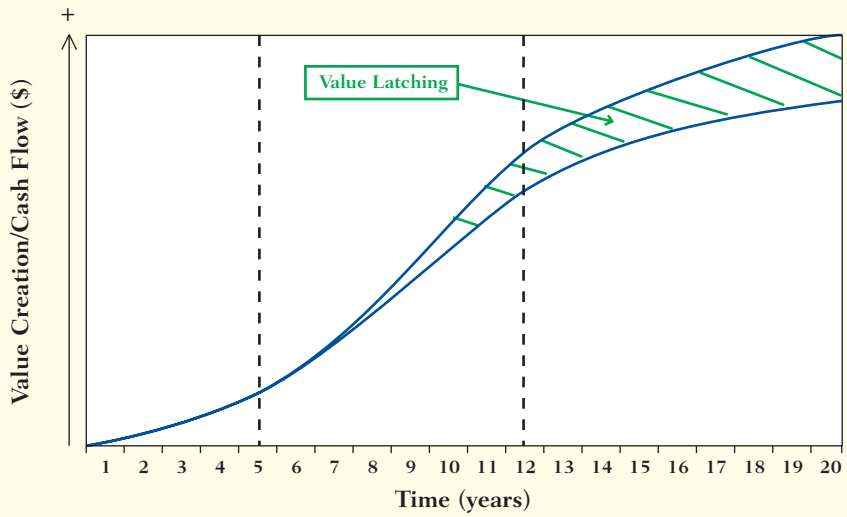
However, affordability is also an issue for commercial space. For example, even in a depressed downtown, there are unique retail and service establishments which will probably be pushed out as rents increase. In downtown Albuquerque, for example, there is a 60-year old, four generation-owned shoeshine parlor paying approximately $8 per square foot per year for its space. As redevelopment occurs, fancy new retail a block away is obtaining rents above $20 per foot. When the shoe shine parlor's lease ends, it will probably have to move; given that its customer base is downtown, this may push it out of business altogether. Artists who work and show in downtown face a similar fate by rehabilitating obsolete space in a dead downtown that is then rediscovered and renovated for higher-income professionals.

One of the usual approaches to affordability is to simply mandate it be addressed. Some downtown projects have a quota of affordable housing, such as 20 percent, particularly if the project had some form of government assistance. While this approach is required if federal housing tax credits are employed, it is counter-productive if they are arbitrarily used. In essence, the use of an affordable set-aside means the other 80 percent of the tenants or buyers must pay for the 20 percent being subsidized. So just at a time the downtown is struggling to come back, the very families they are trying to attract are "taxed" for pioneering the downtown revitalization. If all housing developments in the metropolitan area, or even in the city, had an affordable housing set-aside, that would be both fair and socially beneficial. Yet almost no affordable housing advocates have the will to take on the powerful suburban homebuilders. It is much easier to mandate affordable housing program on developers willing to take on socially-oriented development, like the revitalization of downtown.

An alternative experiment in downtown Albuquerque may bear watching. The Albuquerque Civic Trust has been established to finance affordable housing and commercial space and provide new parks for the reviving downtown.[11] Initially funded by the Ford, Enterprise, and McCune foundations, it is an attempt to have gentrification pay for affordable space on a permanent basis by the private sector. It works under the assumption that as the upward spiral of value creation occurs in a redeveloping downtown, there will be unanticipated profits made by the private sector. These private developers are being encouraged to dedicate a portion of those profits to the Civic Trust, a concept known as "value-latching" (Figure 3). If a development project exceeds the financial projections the project's backers used to underwrite their investment, only then will a portion of the unanticipated profits be given to the Civic Trust.

Why would a developer do such a thing? First, the developer is being asked to give a portion, say 20 percent to 40 percent, of the profits that were not anticipated and thus will not affect the underlying financial feasibility of the project. Second, it will be known by the consuming public that by patronizing the restaurant, movie theater, or business located in the project, they are helping to support the good work of the Civic Trust. This is similar to using an affiliation credit card that helps one's favorite charity, and in turn increases customer loyalty. Third, the work of the Civic Trust will add to the complexity of downtown, keeping the funky retail and

Figure 3. Progressive Real Estate Cash Flows with Value Latching



Source: Christopher B. Leinberger, Arcadia Land Co. and Robert Charles Lesser & Co.

artists in the area and providing potential housing within walking distance for the business' employees. This complexity just adds to the upward spiral of value creation. Fourth, the use of old-fashioned guilt at not participating can be very influential. Finally, there are still civic-minded people and developers who would do it because it is a good thing to do for the community.

The future cash flows that are dedicated to the Civic Trust can be employed to provide equity investments in market-rate housing projects in return for an agreed upon number of affordable housing units. These housing units will be affordable for the long-term, not for 15 years like Federal programs. For example, the Civic Trust may finance CDCs in their development work, buy land and hold it and then contribute the land for future development which includes affordable commercial space and housing.

The obvious problem with value-latching is that the funds from the market rate development projects are not available to the Civic Trust when the downtown is just in the beginning stage of redevelopment, when the prices are the most affordable. Waiting until those funds become available then means that the prices of land and buildings have already begun to rapidly escalate, making it harder for the Civic Trust to fulfill its mission.

The answer to this dilemma is to borrow money from foundations who have a "program related investment" (PRI) loan program. First created by the Ford Foundation in the 1970s, PRIs allow foundations to lend substantial amounts of money which fulfill their mission. PRIs are usually invested in affordable housing or commercial projects that must then pay back the loan from that project's cash flow. Basically, this constitutes a non-recourse loan with the real estate project as the only potential source of repayment, a daunting proposition for most lenders. As a result, PRIs have a relatively high default rate. However, the Civic Trust can obtain PRI loans which will have two sources of repayment to the foundation making the loan: the market rate real estate project which dedicated its unanticipated profits to the Civic Trust and the affordable housing or commercial project that the money was invested in. This mechanism allows the Civic Trust to get in front of the gentrification curve, obtaining a capital base before the gentrification of downtown drives prices too high.

Getting in front of the issue of affordability adds tremendously to the complexity and social equity of downtown. At the same time, having households of all income levels living within

"Having households of all income levels living within walking distance provides another unique aspect to life in downtown."

walking distance provides another unique aspect to life in downtown, something not available in any other part of largely income-segregated America. This is yet another competitive advantage for a reviving downtown.

Step 10: Focus on For-Sale Housing

Following the establishment of urban entertainment and the initial "colonization" of downtown by urban pioneers who rent, for-sale housing can return to downtown. For-sale housing appeals to a very different set of households than renters. They are generally older, not as adventuresome, and are prepared and able to invest in the largest asset of their personal net worth, their home.

The natural markets for for-sale housing in a reviving downtown include young professional singles and couples and Baby Boomer empty nesters. These are typically childless households who likely demand less living space, and aren't concerned about the quality of the schools. Still, far-sighted civic strategists responsible for downtown revitalization would be wise to include improving the downtown schools in their strategic plan. This would allow for the young professionals to stay in downtown if they eventually have children. In downtown Albuquerque, for example, the schools were a part of the strategy. There is a magnet elementary school serving downtown and in the fall of 2005, a charter high school with 200 students is moving into an old federal Building.

Another likely market to come downtown, though generally after the initial wave of for-sale housing, is retirees. The ability to access goods and services without the need for a car, coupled with close proximity to medical care in many cities, make downtown an ideal location for this group. This allows them to stay in the same city near friends and family while maintaining their self-sufficiency, especially if they are not able to drive.

Having an established for-sale housing market is the ultimate test of whether the downtown has achieved critical mass. Given the size of the for-sale housing market, it is crucial to the success of a downtown turnaround. Bringing middle and upper-middle housing to downtown will provide the tax base so sorely needed by most cities, and members of these households will demand a level of service that will continue the upward spiral. These services—whether they be safety, cleanliness, or parades—will benefit all elements of the community, not just those who choose to make their home downtown.

Today, with around two-thirds of U.S. downtowns in some stage of revitalization, there are many more examples of cities where for-sale housing has been profitably built. Well-known successes in downtown Denver, San Diego, Dallas (Uptown), Houston, Baltimore, Atlanta, and others have given the buyers, developers, bankers, and investors confidence that it can work in other downtowns around the county sooner than one might expect.

Step 11: Develop a Local-Serving Retail Strategy

Once downtown begins to be repopulated, the demand for local-serving retail will grow. As new downtowners often come to realize, however, long-time inner-city households have had to drive to the suburbs for most of their daily shopping needs for the past 20 to 30 years. In the initial stages of redevelopment, the new downtown residents have to as well. There are two primary reasons why many of these urban areas are under-retailed, despite their high density of demand for goods and services.

First, the structure of retail has changed considerably over the past several decades, evolving into fewer and larger outlets. These larger outlets draw from a consumer radius that has become wider and wider, increasingly undercutting smaller retailers in the area in price and selection. In the grocery business, A & P and Winn-Dixie put the small mom and pop corner grocer out of business, just as Wal-Mart is putting A & P and Winn-Dixie out of business today. The mom and pop grocer had a three to four block consumer draw, A & P had a one to two mile

consumer draw and Wal-Mart has a three to five mile consumer draw. Store sizes went from 5,000 square feet mom & pop stores to 20,000 to 40,000 square feet regional and national chains to 180,000 square feet super centers. More significantly, the 40,000 square foot grocery store had about five acres of land, 80 percent under asphalt for parking, while the super center has a need for about 20 to 25 acres of land, most of it used for parking. Finding five acres in or near downtown is difficult, and finding 20 to 25 acres is nearly impossible in many cities.

As each succeeding generation of retailer's stores and parking lots became geometrically larger in size, the obsolete retail space was abandoned or under-utilized, resulting in the miles of deteriorating strip commercial littering American arterial highways. The big retail boxes went further to the fringe to obtain the vast amount of land required for their "modern" concepts. This includes selling goods in larger quantities and portions than those found in traditional grocery stores (flats of soda, not six-packs, and 180 ounces of dishwasher detergent, not 16 ounces), which then requires a car, or an SUV, to haul the stuff home. No one walks to a Sam's Club.

Second, local-serving retail is a "follower" real estate product, i.e., the housing must be in place before a grocery store can build a store. As a downtown redevelops, there are not enough households initially to justify the conventional grocery store. This is coupled with the fact they these stores have little or no experience in an in-fill urban location with parking challenges. Over the past three decades, these stores have been built primarily in the suburbs, relying upon new housing sub-divisions for demand and cheap surface parking. These national and international companies have top down policies for site selection, based upon this suburban paradigm. Obtaining an exception to these policies is very difficult, even if the local or regional management understand the demand for their store in downtown.

The super-sizing of retail and its subsequent flight to the fringe meant that as people began moving into American downtowns, they had no choice but to drive to the suburbs to shop. That, however, is changing.

There are some national and regional local-serving retailers who are experimenting with downtown and inner-city locations, making significant modifications to their format to fit the smaller urban sites and confined parking. These include the Ralph's, Safeway, and Kroger grocery chains, Home Depot, and the major book stores, among others. Grocery stores in particular are finding urban locations exceeding profitable due to less shelf space devoted to low-profit paper goods, like diapers, and more space for more profitable take-out food for busy professional households. The limitation on land that can be assembled in and near downtown also has an advantage for national, regional, and local chains that move there: Wal-Mart super centers will have a hard time getting very close.

Of course, there are still locally-owned retailers who provide groceries, drugs, and hardware and offer the "in and out" convenience—especially for one and two item trips—that larger stores lack. Unfortunately, they have become a dying breed. These companies often have weak balance sheets and thus have difficulty obtaining financing from banks for new development. Only if a project has sufficient patient long-term equity is it possible to lease or build space for smaller retailers with a shaky financial history. Thus while some of these stores will continue to thrive, as a group they are probably only part of the solution to downtowns' growing local-serving retail demands. The other part of the solution is finding ways to entice national "big box" retailers to integrate into a walkable landscape.

Step 12: Re-create a Strong Office Market

As entertainment, housing, and retail are established downtown, the office market will begin to follow.

In every metropolitan area in the country, there is at least one major concentration of upper-income housing. This concentration may be to the northeast, like Phoenix, the south, like Kansas City or the west, like Philadelphia. In each area, this is also where most of the office space has been built over the past 40 years.[12] It is known as the "favored quarter," the 90 degree arc coming out from downtown that includes the bulk of high end housing, the major regional malls, most of the new infrastructure, and the vast majority of new office space in the metropolitan area for two generations. The explosion of growth in the favored quarter is the major reason downtowns went into decline from the 1950s to the 1990s.

As upper-middle income for-sale housing is built in downtown, there will gradually be a return of a healthy office market and the employment it houses.

Once the bosses, who make the ultimate decision about office location, begin to live downtown, they will decide to bring their office there as well. Why should they drive to the suburbs from downtown when they could walk to work or have a very short drive? This has happened in those downtowns that have been redeveloping the longest over the past generation, particularly Denver, Portland, and Seattle. Denver, for example, had a vastly overbuilt office market following the energy bust of the early 1980s, which left office vacancies over 30 percent. Due to the combination of the 1990s economic boom, the conversion of obsolete office space into housing, and the construction of new for-sale housing in downtown, office buildings were once again being built in the last few years.

This step in the redevelopment process will probably only fill existing, vacant office space in most cities, due to the past overbuilding and the weak demand for office employment in the economy in general. However, it will be a tremendous benefit for city revenues and the employment prospects of other downtown and city residents. With most new metropolitan jobs located in the favored quarter of the suburbs, they were hard to reach by city residents, especially those with lower incomes. A growth in office development will address this imbalance, though it generally takes 15 to 20 years from the start of the revitalization process.

Conclusion

This paper summarizes what is known today about how to revitalize a downtown. In succeeding years, much more will be learned as greater numbers of American downtowns revitalize and the process proceeds to successive levels of development. As such, this paper will become dated.

As the demand for walkable urbanism continues to grow, so does the number of revitalized downtowns. Moreover, enclaves of density and walkable urbanism are also being created in other city neighborhoods—such as around universities, hospitals, and new or existing transit stops—as well as in both older and newer suburban business districts. More traditional looking lifestyle centers are rising in greenfield locations. Edge cities are being remade. And in some places, obsolete commercial corridors are now being retrofitted with high density development fronting the street. In short, there are plenty of places for walkable urbanism to emerge. While not as obvious, and without the emotional attachment of downtown, they will be the next frontier in the rediscovery of great urbanism in America.

Downtown revitalization is one of the most complex, challenging undertakings anyone can embark on. There are many skeptics and even those who support the process may have unrealistic expectations and frustrations. Yet, seeing a dead downtown come to life is a great reward for any community—and worth investing time, energy, and emotion.

"Ultimately, reaching critical mass means that the redevelopment process is unstoppable and cannot be reversed."

Endnotes

1. Christopher B. Leinberger is a partner in Arcadia Land Co, a new urbanism development company with projects in Pennsylvania, Missouri, and New Mexico. Arcadia is the managing member of the Historic District Improvement Co. (HDIC), the catalytic development company in downtown Albuquerque. Leinberger is also a managing director of Robert Charles Lesser & Co., one of the leading real estate advisory firms in the country, and has consulted on downtown revitalizations in over 50 cities world-wide. He has written or contributed chapters to six books on metropolitan development and strategy and his articles have appeared in numerous national magazines and trade and academic journals. Leinberger is a graduate of Swarthmore College and the Harvard Business School. His web site, which has copies of his articles and links to various development projects, is **www.cleinberger.com**.

2. Eugenie Birch, "Who Lives Downtown" (Washington: Brookings Institution, forthcoming).

3. Robert E. Lang, *Edgeless Cities: Exploring the Elusive Metropolis* (Washington: Brookings Institution, 2003).

4. For more in-depth analysis of this phenomenon, see "Building for the Long-Term" (Urban Land, December, 2003), at **www.cleinberger.com**.

5. These lessons come predominantly from Robert Charles Lesser & Co. experience consulting in large cities that include Baltimore, Los Angeles, Seattle, Portland (OR), Chicago, Minneapolis, Chicago, Dallas, Houston, El Paso, Phoenix, San Diego, Denver, Atlanta, Miami, Orlando, Jacksonville, Savannah, Nashville, and one of the finest examples in recent years, Chattanooga. There has also been consulting work in many small towns, such Provo (Utah), La Grange (Georgia), and Hershey (Pennsylvania), among others. Finally, they are also based on direct development experience in two very different places, St. Petersburg, Russia and Albuquerque, New Mexico.

6. *America's Real Estate*, Urban Land Institute, 1997

7. Richard Florida, *The Rise of the Creative Class* (New York: Basic Books, 2002).

8. Ansley Park, just north of downtown Atlanta, is a prime example. Averaging under $30,000 twenty years ago, today homes in this neighborhood are among the most valuable single family housing in the region, with values topping $1 million.

9. Go to **www.cabq.gov/planning/publications/down2010** to see the Albuquerque Downtown 2010 Plan.

10. The first catalytic development companies were the redevelopment agencies cities set up in the 1950s and 1960s to spur downtown redevelopment, generally called community redevelopment agencies or something similar. These were government departments, managed by public employees. By the 1970s, however, the opportunity for political interference, combined with the fact that public employees had no entrepreneurial incentives to motivate their work, made it clear that an alternative structure was required. That alternative took the form of quasi-independent special purpose government organizations with their own board of directors. While still managed by government employees, there was less political interference and a focused purpose for the organization. However, the incentives this type of organization could offer its employees were constrained, as it was still an arm of government. Two of the best examples of this kind of catalytic developer have been the Centre City Development Corporation in downtown San Diego and the Portland Development Commission, which have overseen two of the most impressive revitalization processes in the country over the past 30 years.

11. For more information go to **www.abqcivictrust.org**

12. Robert E. Lang, *Edgeless Cities* and Christopher B. Leinberger, "The Changing Location of Development and Investment Opportunities" (Urban Land, May, 1995). Available at **www.cleinberger.com**

The Brookings Institution

1775 Massachusetts Avenue, NW • Washington D.C. 20036-2188
Tel: 202-797-6000 • Fax: 202-797-6004
www.brookings.edu

Metropolitan Policy Program
Direct: 202-797-6139 • Fax/direct: 202-797-2965
www.brookings.edu/metro

COLORADO SPECIAL FINANCING DISTRICTS

Prepared by Progressive Urban Management Associates (www.pumaworldhq.com) and Stifel, Nicolas & Co. Inc. (mattoxv@stifel.com) *September, 2006*.

	Business Improvement District (BID)	Downtown Development Authority (DDA)	Urban Renewal Authority (URA)	General Improvement District (GID)	Special Improvement District (SID)
Background/ Summary	Quasi-municipal organization a subdivision of the state. All property assessed in a BID must be commercial. Boundary may or may not be contiguous.	Quasi-municipal corporation which is intended to halt or prevent deterioration of property values or structures in Central Business District.	Established to eliminate blighted areas for development or redevelopment by purchasing, rehabilitating and selling land for development.	Quasi-municipal corporation which is a subdivision of the state. Can provide a wide range of services.	An assessment district is not a subdivision of the state, nor is it separate from the municipality.
Focus	Management, Marketing, Advocacy, Economic Development. (Can issue bonds for capital improvements.)	Real Estate Development, Infrastructure, Operations	Real estate development, Rehab financing, Infrastructure	Capital improvements, Public facilities, Maintenance	Capital improvements, Infrastructure
Formation Steps	Approval by petition of property tax owners representing 50% of acreage and 50% of value of proposed district. TABOR election.	City ordinance subject to vote by affected property owners.	Finding of blight; Petition by 25 electors; Council resolution.	At least 200 or 30 percent of, whichever is less, electors of the proposed district must sign petitions. If all taxable property owners in the district sign a petition, public hearing can be waived.	Need petitions from property owners who will bear at least 50% of the cost of the improvement. Ordinance forms district.
Assessment Method	Assessment or mil levy on commercial property.	TIF on property and/or sales and 5 mil property tax for operations.	TIF on property and/or sales tax	Property tax and income from improvements	Assessments on property
Pros / Cons	Very flexible entity that can finance improvements and provide services. Can issue bonds	Ability to finance improvements and provide services; can generate mill levy and TIF increment. Needs approval from other county entities to collect increment.	Can generate sales and/or tax increment to finance future development. Increment needs approval from county entities; can be controversial.	Only those in the district can authorize and pay for improvements. Requires petition and election.	Equitable: only those who benefit pay. Difficult to form – requires election. City constructs improvements.
Governance	Minimum 5 member board appointed by the Mayor or governing body; can also be elected.	5-11 member board appointed by City Council.	5-11 member commission appointed by City Council	Governing body is *ex-officio* board.	City Council
Condemn Property?	No	No	Yes	Yes	No
Operate facilities?	Yes	Yes	Yes	Yes	No
Levy property tax with voter approval?	Yes	5 mil property tax for operations.	No, but can use TIF.	Yes	No
Levy sales tax with voter approval?	No, but may create SID within the BID	No, but can use TIF	No, but can use TIF	No	No
Assess costs?	Yes	Yes	No	Yes	Yes
Issue GO bonds with voter approval?	Yes	Bonds secured by property tax	Yes	Yes	No
Issue revenue bonds?	Yes	Increment can be issued by municipality	Yes	Yes	Yes
Issue special assessment bonds?	Yes	No	No	Yes	Yes
Colorado Revised Statute Citation	31-25-1201, **et seq.** C.R.S.	31-25-801, **et seq.** C.R.S.	31-25-101, **et seq.** C.R.S.	31-25-601 **et seq.** C.R.S.	31-25-501 **et seq.** C.R.S.

Cost **Estimates**

Component	Estimated Cost	
Mr. Neats Acquisition	$475,000	Completed
Design Concept Master Plan	$168,000	Near Completion
Quality Shoe Building	$315,000	Near Completion
Parking Lot/Light Repairs	$100,000	Near Completion
Total	**$1,058,000**	
Future Potential Project Stages		**In CIP**
Parking Structure Land Acquisition	$1,800,000	In Progress
Parking Structure Design	$744,000	YES
Parking Structure	$6,700,000	NO
Phase 1 HIP Streets Construction Design	$246,000	
HIP Streets Phase 1 Construction *(3 Blocks) – 4th Street (Jefferson-Cleveland)*	$5,815,000	
Potential Associated Phase 1 Utility Costs *(Outside Project Area)*	$742,000	***All Items***
HIP Streets Phas1A *(Add alternate for 2 additional blocks) (Wash-Jeff/Clev-RR)*	$2,532,000	***Can Be***
Museum Plaza	$2,450,000	***Phased***
Mr. Neats Alley	$470,000	
Greater Downtown Signage	$366,500	
3rd Street Improvements	$2,539,600	
3 ½ Alley Improvements - Utilities	$1,746,800	
5th Street Improvements	$3,356,400	
4 ½ Alley Improvements - Utilities	$777,600	
6th Street Improvements	$3,101,800	
Kitchen Alley	$576,500	
Mr. Neats Deconstruction	$200,000	Amount not in CIP
Total	**$34,164,200**	**$31,620,200**

Destination Downtown: HIP Streets Master Plan

Draft Cost Estimate - Summary

Prepared By: Nuszer Kopatz
Prepared For: City of Loveland

April 6, 2009

Item	Total Construction Cost	Design Fees Range (10-12%)			TOTAL PROJECT COST RANGE	
4TH STREET - PHASE ONE BASE BID - 3 BLOCKS	**$5,192,553.23**	$519,255.32	to	$623,106.39	**$5,711,808.56**	**$5,815,659.62**
4TH STREET - PHASE ONE ADD ALTERNATE - 2 BLOCKS (1 EAST, 1 WEST)	**$2,260,710.73**	$226,071.07	to	$271,285.29	**$2,486,781.80**	**$2,531,996.01**
POCKET PARK - PHASE ONE ADD ALTERNATE	**$0.00**	$0.00	to	$0.00	**$0.00**	**$0.00**
KITCHEN ALLEY - PHASE ONE ADD ALTERNATE	**$514,660.64**	$51,466.06	to	$61,759.28	**$566,126.71**	**$576,419.92**
MR NEATS ALLEY	**$420,510.01**	$42,051.00	to	$50,461.20	**$462,561.01**	**$470,971.21**
MUSEUM PLAZA	**$2,187,413.33**	$218,741.33	to	$262,489.60	**$2,406,154.67**	**$2,449,902.93**
3RD STREET	**$2,267,483.50**	$226,748.35	to	$272,098.02	**$2,494,231.85**	**$2,539,581.52**
5TH STREET	**$2,996,754.85**	$299,675.48	to	$359,610.58	**$3,296,430.33**	**$3,356,365.43**
6TH STREET	**$2,769,384.38**	$276,938.44	to	$332,326.13	**$3,046,322.82**	**$3,101,710.51**
MISC GREATER DOWNTOWN SIGNAGE	**$327,221.40**	$32,722.14	to	$39,266.57	**$359,943.54**	**$366,487.97**
MISC DOWNTOWN UTILITIES + INFRASTRUCTURE	**$661,774.77**	$66,177.48	to	$79,412.97	**$727,952.25**	**$741,187.75**
TOTAL ALL PROJECTS	**$19,598,466.85**				**$21,558,313.53**	**$21,950,282.87**

Assumptions

1. Tap Fees not included
2. Inflation not included - assume 5-10% per year

CITY OF LOVELAND
FINANCE DEPARTMENT
Civic Center • 500 East Third Street - Suite 320 • Loveland, Colorado 80537
(970) 962-2625 • FAX (970) 962-2918 • TDD (970) 962-2620

MEMORANDUM

DATE: December 16, 2008

TO: Don F. Williams, City Manager

THROUGH: Rod Wensing, Assistant City Manager & Downtown Loveland Team Lead

FROM: Alan Krcmarik, Finance Manager

SUBJECT: **Financing Options for Downtown Projects**

In the following pages, three options for financing downtown projects are presented for the City Council's information and to support further discussion. The three options are:

1. **Cash payment** for downtown projects based on the current capital project schedule;
2. General obligation **bond financing** based on a citywide property tax mill levy; and
3. Financing downtown projects through a **line-of-credit financing** through the Downtown Loveland Urban Renewal Authority.

Each option is based on several assumptions about the immediate future. The first assumption is the set of cost estimates for the projects. Based on information available at this time, the following list provides the likely projects and their estimated costs:

Project	Range of Cost Estimates	
*4th Street streetscape (Street reconstruction, sidewalks, signals, landscaping, furnishings, includes contingency)	$ 6.4 million	$ 9.1 million
***The Streetscape estimates all depends on final design.**		
Utility upgrades (Electric undergrounding, water main)	2.1 million	3.4 million
Pedestrian Connectivity (midblock passages near Rialto)	.4 million	.9 million
Plaza Improvements (south of Museum)	1.3 million	1.5 million
Wayfinding / Signage / Entryways	.4 million	.5 million
Parking Garage (including Office and Retail space)	6.5 million	7.8 million
Total Project Cost for purpose of analysis	$17.1 million	$ 23.2 million

The amount of funding estimated to be available in the 2009-2013 Capital Improvement Plan is shown in the table below:

2008	$ 1,800,000 unspent for parking land.
2009	3,572,300
2010	2,132,940
2011	2,218,030
2012	2,309,320
2013	1,560,280

The total available is about $13.6 million. Additional money will come from tax increment in the Downtown URA. Current and anticipated economic conditions will likely have an impact on the amount of money available. Staff has also made assumptions that are specific to each option.

1. Cash Payment Option

Brief Overview: According to the Capital Improvement Program adopted for 2009, current (2008) and future funding is budgeted (2009) and planned (years beyond 2009) to be budgeted for the list of Downtown Improvements. In this option, money becomes available during the annual budget process and is held for improvements if not spent in the first budgeted year. For example, the 2008 Budget included appropriation for land acquisition for the future parking structure. The acquisition has not occurred, but the funds are available and can be reserved for the original purpose.

Using the cash payment option would mean that some of the downtown improvement projects would not get underway until 2013 or 2014 and would not be finished until 2015 or later.

Source of Funding: To pay for the improvements listed on page 1, the City and the Loveland Urban Renewal Authority would use revenue received and accounted for in the Capital Improvement Plan. Future revenue from the Downtown property tax and sales tax increment could also be applied to the projects.

Advantages

- Of the three options considered, this option is the least complex; it is a continuation of current capital improvements programming. In essence, the list of downtown projects would be constructed as money from the capital improvement program and tax increment from the project area becomes available.
- This approach means that projects will be phased over several years. Contracts would begin when the City and the LURA have accumulated sufficient funds to back the contract.
- This option probably has the least disruption to existing downtown businesses.

Disadvantages

- The list of projects will be accomplished over a longer period of time.
- Depending on price inflation in the construction industry, there is risk that the projects, if delayed over a long period of time, will be more costly.
- Development in the downtown will be slower and corresponding private development projects will also be slower to come to the market.
- The growth in the downtown tax increment will be delayed and the Downtown URA may not attain its original objectives.

2. General Obligation Bond Financing

Brief Overview: In this option, the primary method of paying for downtown improvements would be the issuance of general obligation bonds to be repaid from property taxes levied on all property in the City. It would be similar to the financing packages presented by the school district to build schools. To issue bonds would require an election in which the voters would be asked to approve the issuance of the bonds *and also* to increase the property tax mill levy to cover the anticipated debt service.

Using the high end estimates and based on a 20 year bond issue, the annual debt service on the bonds would be about $1.8 to $1.9 million. The final number would be determined when the bond issue goes to market; interest rates at the time of the issue would impact the debt service.

Source of Funding: Under this option, the source of funding would be the voter approved property tax. The property tax would be between 2½ and 3 mills citywide. Tax increment from the Downtown Urban Renewal project could also be used to supplement the property tax.

Advantages

- The whole list of Downtown projects would be built sooner, within the next three years. Bond proceeds have a requirement to be substantially used through construction of improvements within three years of issuance.
- Downtown projects would have an approved and dependable source of payment, the citywide property tax, for needed improvements.
- The construction of the public downtown projects could be coordinated, which may offer some efficiency in contractor pricing.
- Interest rates are at historically low levels, and the interest component of the financing plan would be low compared to other periods of time
- Construction of the projects would likely stimulate additional private investment in the Downtown area on a much faster timeframe.
- The City of Loveland would benefit from a "renewed" Downtown area, in terms of new infrastructure and the aesthetics of new private investment in the Downtown.
- The mill levy would not be very high – probably between 2½ and 3 mills in the first year.
- As the total assessed value of the City increases over the next 20 years, the mill levy to pay for the bonds could be decreased or applied to the maintenance or operation of the improvements

Disadvantages

- The election to authorize bonds and the increased property tax would be citywide and in the current economic climate, voters may be reluctant to support a tax increase, thereby lowering the chances for a successful financing package.
- Despite the low interest rates, the interest costs are substantial over the life of the bonds.
- Some voters or even areas of the City may not think it is fair to pay for downtown improvements with a citywide tax.
- Construction of the full set of improvements in a three year period could lead to a higher level of disruption (and possible failures) of existing downtown businesses.
- Issuing bonds incurs costs which are added into the financing. For an issue of $23.2 million there would be about $800,000 in costs of issuance.

3. Line-of-Credit though the Loveland Downtown Urban Renewal Project

Brief Description: Using the powers that an urban renewal authority has under the state enabling legislation, the City and LURA could negotiate with a bank or other financial institution a line-of-credit. This financing technique has been used in other Colorado cities. The Loveland Downtown Team visited Golden, Colorado, in July and learned how the urban renewal authority there used a negotiated line-of-credit to pay for downtown improvements. Members of the finance and planning departments have checked with local and regional banks to determine if there would be interest for such financing and the response has been generally positive. Selection of a financial institution would be done through a competitive request for proposal process.

The line-of-credit works like a flexible loan. The Downtown URA project could draw money when necessary and pay interest only on the money drawn. As money is available to the URA, either from the City's planned capital improvement projects, or from property and sales tax increment in the downtown, repayment of the draw on the line-of-credit would be made. At the least, the financial institution would expect payment of interest on a negotiated time frame, probably quarterly or semi-annually. There would be a set term, no longer than the planned existence of the Downtown Urban Renewal Area project, about 18½ years.

Source of Funding: This option would use the programmed amounts, $13.6 million in the City's Capital Improvement Program. To cover the payments on the line-of-credit, staff used projected property tax increment from the Downtown project area, future property tax increment from the Lincoln Place Project, and interest on unspent funds. Contributions from the possible financial assistance from financial institutions under the Community Reinvestment Act and sales tax increment from the Downtown project area could also be added support for payment.

Advantages

- The line-of-credit approach has been successfully used by other cities.
- This technique offers a great deal of financial flexibility to the Downtown URA.
- Based on current market conditions, historically low interest rates and financial institutions looking for high credit quality projects, interest rates would likely be very low. The legal and administrative costs of this approach are much lower than a bond issue.
- The construction schedule for the list of projects would be quicker than the cash payment option of financing.
- The carrying cost of the financing could be offset by interest earned on unspent capital improvement funding. For example, an account would be set up and the remaining money from 2008 parking garage land acquisition would be placed in the account and be invested. The earning could lower the effective interest rate to less than one percent; it is possible that the invested fund could gain more interest that needed for annual payment.

Disadvantages

- Compared to bond financing option with a dedicated property tax, the financing would have somewhat more risk as it would be dependent on money available in the capital improvement program and future tax increment from the Downtown project area.
- The construction schedule for the list of projects would be more drawn out that the bonding option. The project costs would be exposed to construction cost inflation. The line-of-credit would likely begin with a $10 million limit. Once the revenue flows were documented a second financing could occur and eventually a third to complete the projects.
- The flexibility adds complexity; City Council, the LURA Board, and staff would have to monitor the line-of-credit transactions very closely.