

Civic Area Funding and Financing Overview

Background

- The Civic Area team has evaluated a wide range of redevelopment options and funding packages
- Redevelopment options have been narrowed down to four distinct scenarios (although components of strategies can be combined)
- Order of magnitude estimate of construction costs range from **\$127M** to **\$167M**
- The final Civic Area strategy will be informed by the funding sources that are available

The purpose of today's meeting is to provide Town Council with a more detailed overview of the recommended funding approaches and gauge Council's support for specific approaches.

Outcomes

- Discuss advantages and disadvantages of each financing tool
- Understand implications for utilization (or removal) of a given tool
- Create direction for the project:
 - Narrow the options under consideration
 - Form parameters for the final development programs
- Testing a new format to understand Council Direction:
 - **Thumbs up -- Thumbs down -- Neutral**

Public Financing Mechanisms

Description	Acronym
Urban Renewal Authority	URA
Downtown Development Authority	DDA
Business Improvement District	BID
General Improvement District	GID
Metro District (Special District)	Title 32
Public Improvement Fee	PIF
Dedicated Sales Tax	N/A
Land Lease / Land Sale	N/A
Current Town Reserve	N/A
Town Bonding Potential	N/A
Joint Venture Terms	JV
Philanthropy	Philanthropy

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A. TOV Bonding Capacity

- Town poised to commit the following:

	Low	High	
○ Capital Fund:	\$2.5M	\$3.5M	
○ General Fund:	<u>\$1.0M</u>	<u>\$1.0M</u>	(Based on recent annual surplus in GF)
○ Total	\$3.5M	\$4.5M	

- This commitment would generate \$40M to \$52M in proceeds.
- Also could consider a Pay-As-You-Go approach

A. TOV Bond History

Year	Type of Financing	Bond Proceeds	Purpose
1970	General Obligation Bonds	\$ 250,000	Fire House Construction
1971	General Obligation Bonds 1971A	\$ 575,000	Municipal complex
1971	General Obligation Bonds 1971B	\$ 225,000	Municipal complex
1973	General Obligation Bonds	\$ 3,000,000	Purchase of 39 acres for municipal uses (Ford Park)
1974	General Obligation Bonds	\$ 5,500,000	Lionshead Parking structure
1975	Promissory Note	\$ 850,000	Town park & rec facilities & impr. Vail Transportation Center
1976	General Obligation Bonds	\$ 300,000	Pedestrian Overpass
1977	General Obligation Bonds	\$ 450,000	Purchase open space (Katsos & Lot 10)
1977	General Obligation Bonds	\$ 2,350,000	Dobson Arena + open space purchases
1980	General Obligation Bonds	\$ 7,000,000	Vail Village Parking Structure
1982	General Obligation Bonds 1982B	\$ 2,900,000	Library
1984	Note Payable	\$ 2,200,000	Purchase of Vail Golf Course (full price \$2.65M)
1984	General Obligation Refunding Bonds 1984	\$ 1,600,000	Improvements Lionshead Mall area
1989	Sales Tax Revenue Bonds 1989	\$ 9,200,000	Vail Village Parking Structure Expansion
1991	Sales Tax Revenue Bonds 1991	\$ 2,555,000	Issued to finance acquisition of certain equipment and construction of capital improvements
1992-2019	None	\$ 0	No Debt

A. Discussion of Bonding Capacity

- **Cons**

- A 30-year commitment will limit future Council decisions
- There may be higher priority projects (or those of greater necessity) in the future
- The cost of interest is substantial, a plan to pay-as-you-go saves money
- Additional Council comments?

- **Pros**

- Enables Town to accomplish more, particularly with complex programs that require underground levels
- Recent pattern indicates General Fund generates a surplus annually, thus, no impact to services
- Additional Council comments?

- **Council Support**

- **Thumbs up -- Thumbs down -- Neutral**

B. Lionshead Urban Renewal Area

Current Revenues and Expenditures

- Annual revenues average \$5.7M
- Annual operating expenses average \$800K
- Planned capital outlay totals \$9.3M over next few years
- Debt service averages \$1.1M
- Fund balance in 2019 \$3.1M

Future Estimates

- Projected fund balance by 2030 is \$45M
- Bond proceeds for a 2021 construction start approximate \$35M

B. Discussion of URA Proceeds

- **Cons**

- None identified by consultant team
- Additional Council comments?

- **Pros**

- Established
- Little risk, given the previous years of performance
- The purpose of many URA's is to catalyze additional investment, which this would do
- Additional Council comments?

- **Council Support**

- **Thumbs up -- Thumbs down -- Neutral**

C. Downtown Development Authority (DDA)

What is a DDA?

- A DDA, like an Urban Renewal Authority, redirects TIF into civic improvements and civic programming within a recognized boundary.
- TIF (Tax Increment Finance) is **based on net new assessed valuation within the district**, most often generated by redevelopment. Without new private development, no TIF.
- The DDA has a duration of 30 years, after which the TIF flows to the existing taxing entities
- The purpose is to improve property values or structures in districts recognized as the concentrated area of governance and commerce.

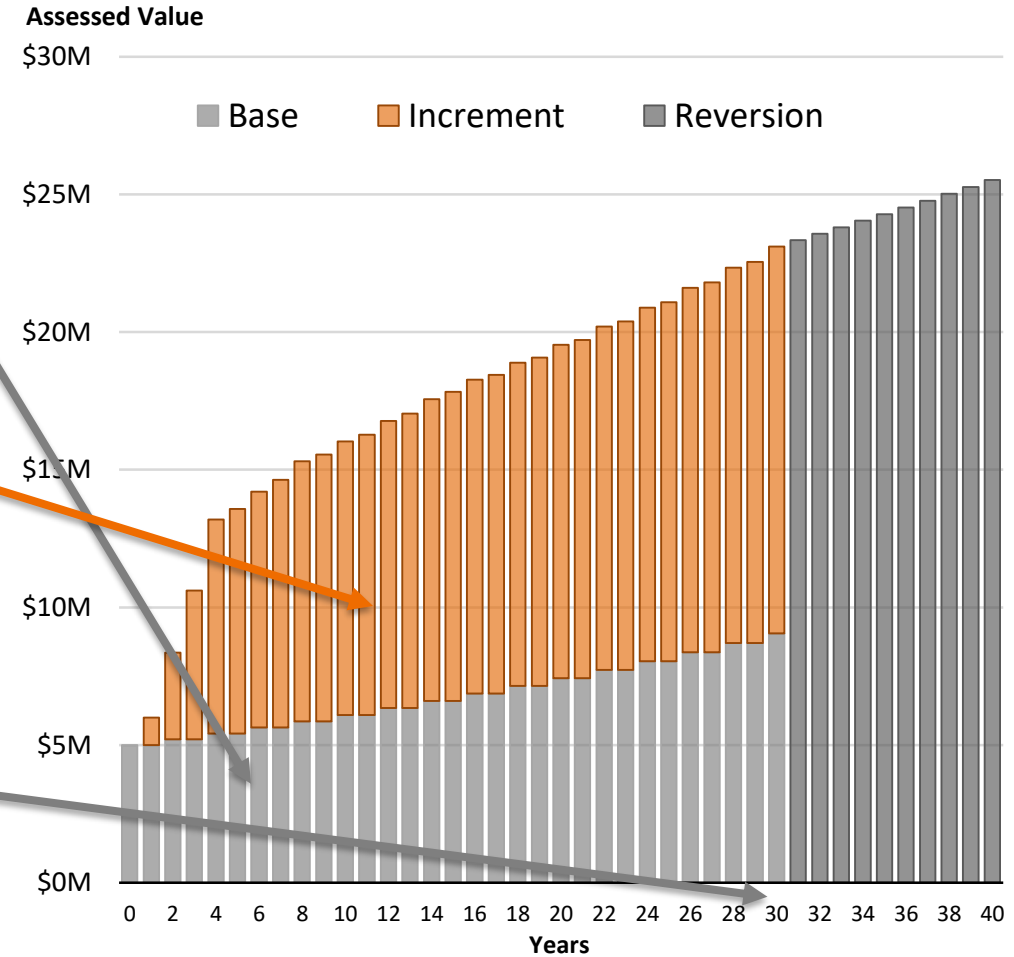
C. Downtown Development Authority (DDA)

How TIF Works

The assessed value of taxable property in the DDA and/or sales tax is determined for the base year

If the assessed value increases, the DDA receives the amount of the increase in taxes, except for property tax increases due to general reassessments.

The base resets at Year-30.



C. Downtown Development Authority (DDA)

How is a DDA formed?

- Determine that a DDA is appropriate for the area
- TOV to hold hearing and determine:
 - Boundaries
 - Powers and limits on powers
 - Financing capabilities
 - Election date and the administration of election
- **Hold the election** with the “qualified electors” which include residents, landowners, and lessees.

Revenue Potential	Low	Medium	High
Total Development Value	\$0	\$290,000,000	\$653,500,000
Bond Rate	5.0%	5.0%	5.0%
Bond Term	30 years	30 years	30 years
Annual Revenue	\$0	\$1,000,000	\$3,700,000
Bond Amount	\$0	\$11,500,000	\$42,100,000

C. DDA Discussion

- **Cons**

- The tool generates revenue only as private development is built
- Redirects revenues that would otherwise flow to other taxing entities
- Dependent on successful election by property owners and tenants within proposed district
- Additional Council comments?

- **Pros**

- Net new revenue to Vail
- No risk to the TOV
- For strong markets, increment and corresponding revenue can be substantial
- Does not affect any existing revenues. School district revenues are back-filled from state.
- Additional Council comments?

- **Council Support**

- **Thumbs up -- Thumbs down -- Neutral**

D. Public Improvement Fee (PIF)

What is a PIF?

- A PIF works similarly to a sales tax, but is adopted as a private agreement between land property owners and tenants
- Given that it is a private agreement, it is designated as a 'fee' instead of a 'tax'
- Typically, it applies to the full range of items which are subject to a sales tax, as well as services. Often, the municipality collects the PIF on behalf of the developer
- In this case, a PIF would most likely be applied to lodging sales in order to fund a new multi-purpose event center.

D. Public Improvement Fee (PIF)

How is a PIF formed?

- Requires the consent of individual property owners – most likely surrounding hotels that would benefit from a new multi-purpose events center
- The property owners elect to impose a PIF on lodging sales
- PIF revenues can be assigned directly to a non-profit corporation called a public improvement corporation (PIC) or can be pooled with other revenues in a common financing district
- The district then issues bonds to fund public infrastructure or improvements associated with the multi-purpose events center.

Revenue Potential	PIF (Low)	PIF (High)
Participating Rooms	40% of total	60% of total
Bond Rate	5.0%	5.0%
Bond Term	30 years	30 years
PIF Rate	1.50%	1.50%
Annual Revenue	\$1,400,000	\$2,100,000
Bond Amount	\$16,300,000	\$24,500,000

D. PIF Discussion

- **Cons**

- Higher cost for lodging may affect demand
- Lack of uniform adoption may reduce cohesion within lodging community
- Additional Council comments?

- **Pros**

- Strong nexus between the groups that pay the PIF and benefit from the improvements
- Local lodging group has stated it supports an increase in lodging tax to cover costs associated with additional meeting space
- PIF provides a method to establish fund without requiring an election
- Additional Council comments?

- **Council Support**

- **Thumbs up -- Thumbs down -- Neutral**

E. TOV Reserve

- Total Reserves range from \$60M to \$70M
- Of this, \$23M to \$24M required to be “Restricted” and “GF Minimum”
 - **“Restricted Reserves”**
- Of the balance, \$37M to \$46M, a portion could be used as a One-Time investment or could be used for debt service
 - **“Available Reserves”**
- A \$10M One-Time investment accounts for 22% to 27% of available reserves

E. Discussion of the use of TOV Reserves

- **Cons**

- Large reserves provide a cushion for future, unforeseen expenses
- Additional Council comments?

- **Pros**

- Current available reserves are 1.6x to 1.9x the minimum threshold for restricted reserves
- Provides 'gap coverage' for projects, prior to other revenues coming on-line
- Additional Council comments?

- **Council Support**

- **Thumbs up -- Thumbs down -- Neutral**

F. Land Lease / Land Sale

Basic Assumptions

- Two primary sites in play
 - Municipal Site
 - Charter Bus Lot
- Town sells or leases land to a developer. Uses land revenues to offset costs associated with public improvement. Recipients of proceeds could include:
 - Multipurpose events center
 - New Town Hall
 - Redeveloped Dobson Arena
- Potential Uses that would have interest:
 - Luxury Hotel and/or Condominiums, possibly a Conference Center/Hotel
- Land value is based on the highest and best use of the town owned land

F. Land Lease / Land Sale

Market Potential

- Conference Hotel
 - Reasonable interest from hotel operators - opportunity to enter Vail market.
 - Mixed interest from investors given past challenges with the P3 process, general feasibility of a conference hotel, shoulder seasons, and annual occupancy challenges.
 - Additional research indicates Town may need to contribute land.
- Luxury Hotel
 - Very strong interest from operators.
 - Reasonably strong interest from investors. Concerns with rising construction costs and close proximity to I-70.
 - Interest driven by proven market and margins in Vail Village that are difficult to replicate elsewhere.
- Condominiums
 - Strong market potential for high-end condos at this location
 - Already have seen initial interest from developers for site. Premiums with luxury hotel could be significant.
 - Could generate land value of roughly 10-15% of total project value.

F. Land Lease / Land Sale

Recommended Path Forward

- Identify site for potential P3 (muni site or charter bus lot)
- If luxury product, issue RFI/RFP and proceed with negotiations
- If conference/hotel or multi-purpose event space, should complete economic feasibility study and then proceed with RFQ/RFP

Revenue Potential	Multi-Purpose	Conference Center	Luxury Hotel / Condo
Land Value	\$0	\$0 or Low Value	\$15M-\$20M
Lease Term	N/A	N/A	60 years
Lease Rate	N/A	N/A	8% of total land value
Annual Lease Revenue	N/A	N/A	\$1.2M-\$1.6M
Rate	N/A	N/A	5.0%
Term	N/A	N/A	60 year
Bond Amount	N/A	N/A	\$13.9M-\$18.5M

F. Land Lease / Land Sale Discussion

- **Cons**

- Requires that some level of private development occurs on land that is currently publicly owned
- Requires that the Town give up some amount of control over land in the Civic Area
- Necessary to engage in complex negotiation with potential developer in order to agree on final price and development program

- **Pros**

- Leverages P3 approach to generate revenue for public improvements
- Potential to activate the Civic Area through private development
- Generates a considerable amount of revenue

- **Council Support**

- **Thumbs up -- Thumbs down -- Neutral**

G. Dedicated Sales/Lodging Tax

- Provides source that mirrors the previously adopted tax dedicated to the conference center development.
- Establishes a revenue stream from an additional sales tax would be dedicated to a specific use or improvement, most likely a multi-purpose events center.
- Previously, the dedicated sales tax was 0.5%, paired with a dedicated lodging tax of 1.5%, both committed to funding the conference center.

	Dedicated Sales Tax		Dedicated Lodging Tax	
Revenue Potential	Low	High	Low	High
Tax Rate	0.25%	0.50%	1.00%	1.50%
Bond Rate	5.0%	5.0%	5.0%	5.0%
Bond Term	30 years	30 years	30 years	30 years
Annual Revenue	\$1,700,000	\$3,900,000	\$2,400,000	\$3,500,000
Bond Amount	\$19,600,000	\$39,100,000	\$27,200,000	\$40,900,000

G. Dedicated Sales/Lodging Tax Discussion

- **Cons**

- Additional tax on sales or lodging in the Town
- Additional Council comments?

- **Pros**

- Potential to generate a significant amount of revenue
- Additional Council comments?

- **Note**

- Requires voter approval

- **Council Support**

- **Thumbs up -- Thumbs down -- Neutral**

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Funding Options

Questions, comments, thoughts