

Memorandum

To: City of Craig City Council
From: David Cooper (DGC Consulting)
Date: January 22, 2021
Subject: Update on Urban Renewal Tax Forecast and County Impact Reports

Introduction

In October 2020, the City of Craig hired DGC Consulting as a planning consultant to prepare studies and reports to support the City in creating an Urban Renewal Authority and undertake urban renewal activities. The consulting scope of work focuses on three tasks – Conditions Study of a large part of the City, Urban Renewal Plans for two areas, and Tax Forecast and County Impact Reports for the same two areas. This memorandum provides an update on the Tax Forecast and County Impact Reports.

Tax Forecast Scope of Work

The tax forecast establishes assumptions about future reuse/redevelopment/development (urban renewal activity) and a forecast of estimated property and sales tax revenues within the Urban Renewal Areas over a 25-year period. This is documented in reports for each Urban Renewal Area, which also summarize the impacts of urban renewal activities on Moffatt County. The reports can be shared with the County and other Taxing Authorities (such as the City of Craig, Moffatt County School District, Northwestern Colorado Community College, and Craig Fire District) that the City chooses to negotiate with over revenue sharing agreements.

The tax forecast provides an estimate of total tax revenue, existing tax Base revenue, and new tax increment generated within the proposed urban renewal areas due to urban renewal activities. It includes a forecast of property tax and sales tax in aggregate and by Taxing Authority. Key assumptions of the analysis include the following:

- Current property and sales taxes within each area (Base)
- Development program - residential, commercial, industrial
- Magnitude of urban renewal activities (reuse/redevelopment/development SF)
- Timing of urban renewal activities and commencement of new taxes
- Taxable value of new development (\$/SF)
- Estimated new sales taxes generated by urban renewal activities (\$/SF - retail only)

With this information, we made a forecast new increment of property and sales taxes over 25 years by year and cumulatively.

County Impact Report Scope of Work

This report is required by Colorado Statute and is intended to provide information about impacts to Moffat County by the proposed urban renewal activity. It includes:

- New increment of taxes generated and allocated to the Urban Renewal Authority.
- Provision of services to the proposed Urban Renewal Areas (general government services, planning and building department, public/private utilities, streets, schools and colleges, public safety/emergency services, library, and parks.
- Provision and financing of infrastructure (streets, drainage and utilities) in the proposed Urban Renewal Areas (public and private).

URA #1 Report Summary

1. Development program – Development may include new construction or tenant improvements to existing buildings. It is planned for three areas (existing shopping mall, existing Safeway Building, and around the relocated County Building). Development and reuse of existing buildings is anticipated to occur in phases (2023 – 2027) for a total of 125,000 SF. Retail development totals 75,000 SF and includes 40,000 SF in the mall and 35,000 SF in the former Safeway building. Development of utilities, parking, sidewalks, driveways, landscaping, and open space is also anticipated.
2. If all of the County portion of the incremental property taxes were allocated to the Authority during this period, the County would experience a fiscal impact of \$12,752/year in 2024 (the first year of development-induced revenues), growing to approximately \$69,595/year in 2045 (the end of the 25-year tax increment financing period), resulting from the inclusion of the developed parcels in the proposed Urban Renewal Area and after accounting for the Base. The total property tax allocated to the Authority by the County during this period would be approximately \$1,278,859.
3. The amount of County incremental property tax revenue to be allocated to the Authority for Urban Renewal Area #1 amounts to less than 1/1000th (.00045) of the Moffat County budget. This is based on a 2021 County adopted budget of \$102.5 million and estimated incremental County property taxes of \$46,457 in 2026 (year of project stabilization). Even though county budgets are expected to drop significantly in the future, the fiscal impact will remain very small, as a percentage of budget.
4. The impact on the Moffat County School District RE-1 of allocating incremental property taxes to the Authority would also be minimal, as a percentage of total school district budget. Estimated incremental School District property taxes are \$61,846 in 2026 and the 2020 - 2021 budget is \$23.152 million. This represents less than 3/1000th (.00267) of the total budget.
5. After the 25-year period is completed, the County's share of net new property tax revenues (after subtracting the Base) will increase gradually from \$69,595/year, which is forecast in 2045.
6. If all of the County portion of incremental sales taxes were allocated to the Authority during this period, the County would experience a fiscal impact of \$20,606/year in 2023 (the first year of development-induced revenues), growing to approximately \$282,135/year in 2045 (the end of the 25-year tax increment financing period). The total sales tax allocated to the Authority by the County during the 25-year period would be approximately \$5,414,628.
7. After the 25-year period is completed, the County's share of net new sales tax revenues (after subtracting the

Base) will increase gradually from \$282,135/year, which is forecast in 2045.

URA #2 Report Summary

1. Development program – New development in proposed Urban Renewal Area #2 includes a manufactured home facility (constructed in two building phases), a game meat processing facility with a small retail outlet, and mixed-use development on three downtown parcels (retail on the ground level and residential on the two floors above.)
2. Construction is projected to occur in phases between 2023 (25,000 SF), 2024 (18,500 SF), 2025 (32,500 SF), and stabilizing in 2026 (7,500 SF) for a total of 83,500 SF. A total of 8,500 SF of retail is included in the planned development.
3. Development of utilities, parking, sidewalks, driveways, landscaping, and open space is also anticipated.
4. If all of the County portion of the incremental property taxes were allocated to the Authority during this period, the County would experience an impact of \$21,103/year in 2023 (the first year of development-induced revenues), growing to approximately \$80,273/year in 2045 (the end of the 25-year tax increment financing period), resulting from the inclusion of the developed parcels in the proposed Urban Renewal Area and after accounting for the Base. The total property tax allocated to the Authority by the County during this period would be approximately \$1,536,432.
5. After the 25-year period is completed, the County's share of net new property tax revenues (after subtracting the Base) will increase gradually from \$80,273/year, which is forecast in 2045.
6. The amount of County incremental property tax revenue to be allocated to the Authority for Urban Renewal Area #2 amounts to less than 1/1000th of the Moffat County budget (.00065). This is based on a 2021 County adopted budget of \$102.5 million and estimated incremental County property taxes of \$67,110 in 2027 (year of project stabilization). Even though county budgets are expected to drop significantly in the future, the fiscal impact will remain very small, as a percentage of budget.
7. The impact of allocating incremental property taxes to the Authority on the Moffat County School District RE-1 would be of a similar magnitude. Estimated incremental School District property taxes are \$89,339 in 2027, which is less than 4/1000th (.00385) of the adopted 2020 - 2021 Moffat County School District budget (\$23.152 million).
8. If all of the County portion of incremental sales taxes were allocated to the Authority during this period, the Authority would experience an increase of \$9,985/year in 2024 (the first year of development-induced revenues), growing to approximately \$31,420/year in 2045 (the end of the 25-year tax increment financing period). The total sales tax allocated to the Authority by the County during the 25-year period would be approximately \$600,407.
9. After the 25-year period is completed, the County's share of net new sales tax revenues (after subtracting the Base) will increase gradually from \$31,420/year, which is forecast in 2045.
10. If the manufactured homes constructed in the proposed facility are sold and sited within Moffatt County, such sales will generate additional sales tax. For example, each \$750,000 unit would generate approximately \$15,000 in County sales tax.

Conclusions

The commencement of urban renewal activities envisioned by the City of Craig and Developers for the proposed Urban

Renewal Areas will generate new property and sales tax increment in addition to the existing property and sales tax Base. Subject to decisions by the City Council and revenue sharing agreements between the Urban Renewal Authority and other Taxing Authorities, this new tax revenue can be used to remedy blight conditions within the proposed Urban Renewal Areas.