

Staff Report

FUNDING ALTERNATIVES FOR PURCHASE OF PROPERTY AT 629/631 13TH STREET

July 14, 2009

BACKGROUND:

On May 16, 2009 the City Council voted to proceed with the purchase of only one property at 629/631 13th Street without identifying any funding source. It was expected that the staff would identify possible funding options to accomplish the purchase of this property at a future date.

The current estimated costs associated with the property purchase and improvements for public use are as follows:

\$ 95,000	Acquisition (based on recent appraisal)
\$ 15,000	Demolition
\$ 2,000	Disconnection of public utilities
\$ 10,000	Removal of asbestos
\$ 3,000	Site landscaping
<u>\$ 20,000</u>	Relocation Expenses
\$145,000	Total Estimated Cost

FUNDING OPTIONS:

In response to the City Council's request for information, the following funding sources are being offered for consideration.

- **HUD Funding**

HUD funds can be utilized for the purchase of this property with the goal of eliminating slum and blight. In order to accomplish this goal, an amendment must be made to the City's 2009-10 CDBG Annual Action Plan. It is our intent to bring this plan to Council on July 28th.

- **General Fund Available Balance**

These General Fund revenues can be used to purchase this property. However, a conscious effort has been made to establish an adequate fund balance to maintain our Aaa bond rating. The Council will need to decide whether or not to reduce this balance to accomplish the purchase.

- **Local Option Sales Tax Fund Balance**

These sales tax funds can be used to acquire the property since it can be considered that the project is related to "community betterment". There is a sufficient

unencumbered balance in the fund to allow for this magnitude of expenditure should the Council decide the project is more important than other possible projects.

- **County-Wide Affordable Housing Fund Balance**

It has been almost two years since a project was funded from our County-wide program. Recently, the City of Colo asked to withdraw from the Partnership and receive their share of the existing balance. Should the City Council decide to follow this same path, the City will have in excess of \$200,000 available to purchase this property. However, the Council will have to determine if the reimbursed funds should be redirected to affordable housing initiatives rather than for this purpose.

- **General Obligation Bonds**

Normally, the purchase of right-of-way for a street would be considered an “essential corporate purpose” and therefore could be funded through the sale of G.O. Bonds. However, in this case there is not a street-related project associated with the purchase of this land since the intersection improvement was removed from the CIP.

G.O. Bonds can be issued to finance the purchase of this property if it is done in conjunction with an approved Urban Renewal Plan. The basis for the plan would be to “arrest the elimination of traffic hazards and improvement of traffic facilities.” This approach will take some time since the plan would need to be developed and approved, and the issuance of the bonds is subject to a reverse referendum.

Cities are also allowed to issue up to \$700,000 for a general corporate purpose “for any purpose necessary for the operations of the City or health or welfare of the citizens.” If the Council determines that this project fits this requirement, then bond revenues could be utilized to accomplish this acquisition. This approach would be subject to a reverse referendum as well.

It should be remembered that we are about to issue bonds as planned in our 2009-10 budget. The proposed bond issue does not include the amount needed for this property acquisition. Therefore, we would have to wait until our next scheduled bond issue to generate the necessary revenue to accomplish this task. This fact will delay any action for a year.

- **Local Option Sales Tax Fund Balance Today; Issue G.O. Bonds In Future Years**

This approach would require a two-step strategy. First, the Council could use \$128,000 from the available balance in the Local Option Sales Tax Fund to purchase and remove the property. Second, in future years, rather than utilizing sales tax funds to finance some of our CIP projects as currently planned (for example – Asphalt Resurfacing), G.O. Bonds would be issued as an alternate funding source for this type of essential corporate purpose project. In this way, the Local Option Sales Tax Fund would be restored to its planned level. However, our citizens would be required to pay interest on projects because of the issuance of debt for projects that were originally planned to be paid for with cash.

STAFF RECOMMENDATION:

Should the City Council still desire to proceed with the purchase of this property, staff would recommend the use of HUD funding, or the available balance in the Local Option Sales Tax Fund. It is believed that these two funding sources would facilitate the purchase of this property in a timely fashion and have the least negative impact on the finances of the City.

If the City Council is willing to wait to acquire this property, the creation of an Urban Renewal Plan with its accompanying issuance of G.O. debt may be the best course of action. Given the over abundance of rental property on the market today, there is no indication that a delay in purchasing this property at this time will result in a higher acquisition cost in the near future.