

TIF Money Aiding Sloan's Lake Developments

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By Mike McKibbin February 13, 2018

Amixed-use residential and commercial redevelopment project on the shores of Sloan's Lake would not have happened without financial help from local government tax increment financing, according to a project official.

City and County of Denver records show Trailbreak Partners and Koelbel & Co., acting as Sloans Block 3 LLC, bought a 2.2-acre block of the Sloan's Lake St. Anthony's site – on the southeast corner of Sloan's Lake, bound by West 17th Avenue, Quitman Street, West 16th Avenue and Perry Street in northwest Denver – for \$5.69 million. Koelbel has reported the Sloans Block 3 project cost at \$35 million.

Financing support for the Sloans Block 3 project came from the City and County of Denver, Denver Urban Renewal Authority and Colorado Housing and Finance Authority in the form of developer equity, low-income housing tax credits, tax increment financing (TIF) money and a performance loan from the Denver Office of Economic Development.

The TIF process allows an urban renewal authority to use net new tax revenues generated by projects within a designated area to help finance improvements. TIF is a new source of tax revenue, not an added tax, that would not be available but for new investment, according to a definition from the Denver Urban Renewal Authority.

When a redevelopment project is proposed, the amount of added property and/or sales tax revenues that may be generated upon completion is determined. That "tax increment" is then used either to finance the issuance of bonds or to reimburse developers for some of their project costs. In either case, that new tax revenue must be used for improvements that have a public benefit and support the redevelopment effort, such as site clearance, streets, utilities, parks, the removal of hazardous materials or site acquisition.

The Sloans Block 3 project received close to \$7 million in TIF money from the urban renewal authority, something Carl Koelbel, vice-president of Koelbel and Co., called "absolutely" key to the project.

"This project would not have occurred without it," he said. "The cost to adapt the Kuhlman Building was very high and we used the money for site work, asbestos rehabilitation – which isn't cheap – and a wastewater detention system."

Koelbel referred to the nearly 80-year-old Kuhlman Building, originally built as a nursing residence around 1940. The five-story brick building served as a nunnery, nursing school, dormitory and administrative offices for St. Anthony Central Hospital, which opened in 1893. By the early 2000s, St. Anthony began to outgrow its 19-acre campus. In 2005, plans were

announced to build a new facility at the Federal Center in Lakewood and St. Anthony abandoned the Sloans campus in 2011. Demolition began on April 22, 2013, except for the 16th Avenue Chapel, a parking garage and the Kuhlman Building.

Koelbel said renovation work on the Kuhlman Building began last August and finished in December. Work on 49 affordable apartments – to be called Sienna – inside the building is scheduled to be finished in August, he added. They will be available to households earning 60 percent area median income or less.

Other Kuhlman Building amenities include an on-site leasing office, community room with entertainment area and kitchenette, fitness center, 30 reserved parking spaces in Block 3 with another 15 reserved spaces in a parking garage, and an adaptive re-use of a 5,800-square-foot gymnasium on the north side of the building for retail and restaurant space.

“We’re looking at some combination of restaurant, microbrewery and café users,” Koelbel said.

Those tenants could move in before the end of the year, he added.

TIF has ‘outlived its usefulness’

Some government-watching and think-tank organizations, such as the Independence Institute, have criticized the use of TIF money for economic development.

“It was to address slums, blight and areas that endangered public health and welfare,” spokesman Mike Krause said in an interview. “The language specifically mentioned people living in squalor. I think while you might find a few isolated places where that is still the case, TIF is something that’s really outlived its usefulness.”

Urban renewal authority language in state statutes requires a project be located in a “blighted area,” or “an area that, in its present condition and use ... substantially impairs or arrests the sound growth of the municipality, retards the provision of housing accommodations, or constitutes an economic or social liability, and is a menace to the public health, safety, morals, or welfare; ...”

“What we want to see is free market growth, but TIF uses privatized profits for socialized risks because it’s spread out among taxpayers,” Krause added. “It’s kind of like the chicken and the egg. Developers say if there is not TIF money, projects won’t get built. But maybe that’s just in the first place. Projects most likely will get built, but politicians want them built now.”

Townhomes, public plaza and public art also in Sloans Block 3

Work on 25-27 market-rate townhomes in Sloans Block 3 that will face West 17th Avenue, Quitman Street and West 16th Avenue will begin in early March, Koelbel said, with each townhome having either a one- or two-car garage for homeowner parking. Also planned are a 4,300-square-foot public plaza at the northeast corner of 17th Avenue and Perry Street, with 2,200 square feet of single-story retail and restaurant space and approximately 32 parking spaces for customers.

Koelbel said a public art piece – which he did not want to detail – has been chosen. Created by a local artist, it will need approval by the urban renewal authority, he added.

Meanwhile, Sloans Block 9, at Perry and West 16th, is where the Denver Housing Authority is building Vida, a 175-unit, seven-story affordable housing project. Those units are aimed at senior and disabled residents who earn 30 percent or less than the area median income. Denver City Council approved \$5.5 million in property tax increment financing to help the \$59 million project.

Other amenities include up to 20,000 square feet of ground floor medical office and clinic space, a 6,500-square-foot senior activity center, a publicly accessible 5,000-square-foot amenity deck, 125 parking spaces and retail storefront on West Colfax.

Edgewater doesn't use TIF money

The projects are near the City of Edgewater, a community of about 5,300 people in a 7/10-of-a-square-mile area. City Manager H.J. Stalf said only one development project in city limits, the Marketplace, has received TIF money since the city formed its renewal authority in 1985.

“That’s why the authority was formed,” Stalf added. “But the rules have changed so much since then that we just don’t see it as a tool we want to use.”

He also noted Edgewater’s small and confined size prevents any measurable expansion via annexation. The city also wants to avoid any controversy TIF money often generates, Stalf said.

A “virtually vacant” 11,000-square-foot strip mall was bought by the city’s authority in 2011, Stalf noted. It features an abandoned King Soopers store at 20th Avenue and Depew Street. Called Edgewater Village, the 6.73-acre site is under contract to be sold, Stalf said, with closing scheduled for this spring. In late 2016, Trinity Development Group received a signed letter of intent from a local organic grocer to operate at the site.

The only other major project in Edgewater is the new civic center, which Stalf said did not involve any authority or TIF money.