



# GOLDEN URBAN RENEWAL AUTHORITY

## Memorandum

To: GURA Board of Commissioners  
From: Mark Heller, Executive Director  
Date: October 22, 2008  
RE: October 27, 2008 Meeting Memo

This memo will assist in the discussion of the following agenda items:

### **V1a. and V4a.2009 Budget and Work Plan Discussion**

GURA has \$760,010.00 remaining to draw from the Colorado Business Bank loan, and has until 11/22/2009 to do so. The packet contains three budget scenarios revolving around the amount that GURA might draw from the Colorado Business Bank loan. The scenarios include: a full draw of \$760,010; a half draw of \$360,005; and no draws. GURA is required to make minimum draws of at least \$250,000.00. Because GURA's repayment of the loan from Colorado Business Bank is such a dominating factor in any budget scenario, between \$176,000 and \$282,000 of GURA's anticipated \$1.5 million budget is available for projects, grants, and other discretionary programming. Thus, the amount of the draw(s) next year will dictate how much of GURA's future increment revenue will be required to service the debt and how much will be available for operations, projects, grants, and contingency.

In addition to servicing the debt, GURA is required to maintain a 1:1.25 senior debt service coverage ratio and either a 1:1 total debt service coverage ratio or carryover at least \$250,000 from year to year, throughout the full term of the loan. The definitions of the above terms are as follows:

"Total Debt Service Coverage Ratio" is (i) the Estimated Property Tax Revenues to be received by Borrower for the applicable calendar year, divided by (ii) the maximum regularly scheduled Total Debt Service Payments of Borrower for any calendar year during the remainder of the term of the Loan."

"Total Debt Service Payments" means, as of the time of calculation during the term hereof, the sum of (i) all regularly scheduled principal and interest payments on the Loan during the applicable calendar year; plus (ii) all regularly scheduled payments required to be made by Borrower from the Estimated Property Tax Revenues under

the Owner Participation Agreements described in Section 4 of **Exhibit C** attached hereto for such calendar year; plus (iii) all regularly scheduled principal and interest payments required to be made by Borrower from Estimated Property Tax Revenues under any of the Debt permitted pursuant to Section 16(b)(iii) hereof for such calendar year; plus (iv) the total amount of grants made to property owners located within the current Golden Urban Renewal Plan area from Estimated Property Tax Revenues for such calendar year; plus (v) the amount required to be paid under a Future Owner Participation Agreement, but only up to the amount of the Additional OPA Property Tax Revenues generated by the property subject to such Future Owner Participation Agreement.

"Senior Debt Service Coverage Ratio" means (i) the total Property Tax Revenues (less any Additional OPA Property Tax Revenues) for a particular calendar year plus the balance of, including all additional deposits required to be made by Borrower to, the Debt Service Reserve Account for the relevant time period divided by (ii) the total of all regularly scheduled Senior Debt Service Payments of Borrower for such year.

The three budget scenarios comply with these requirements as shown in the included "Debt Service Summaries" spreadsheet. These summaries illustrate the trade-offs between debt service, increment revenue available for projects, and loan proceeds. An even more basic illustration is provided by the below table.

	<b>Full Draw</b>	<b>Half Draw</b>	<b>No Draw</b>
Loan Proceeds	\$760,010	\$360,005	\$0
<u>Increment Revenue for Projects</u>	<u>\$176,000</u>	<u>\$236,000</u>	<u>\$282,000</u>
Total	\$936,000	\$596,005	\$282,000

In the Full Draw scenario, GURA would maximize its loan proceeds, but it would have to devote more of its increment revenue to debt service than in the other scenarios, and so would have less increment revenue available for other projects. However, those projects could be funded from the loan proceeds instead. In the No Draw scenario, GURA would still be required to meet its ongoing debt service requirements and would use only its increment revenue to fund new projects. The Half Draw scenario seems to provide a much larger capacity for grant funding when compared to the other two scenarios.

According to our long-term projections, GURA could borrow the full \$760,010 and meet its loan obligations without generating any new taxes from projects receiving support from those loan proceeds. Of course, tax-generating projects would provide additional revenue to GURA to fund still more projects and/or service GURA's debt.

The Full Draw and Half Draw scenarios assume that all of the major budgeted projects would be funded from the loan proceeds, thereby allowing other line items to be funded at desirable levels while still meeting the various loan obligations. The line items with different levels of funding under the three scenarios include:

- a. Line 29 Office Wages
- b. Line 50 Travel and Training
- c. Line 56 Banners
- d. Line 83 Welcome and Speed Signs
- e. Line 84 Coors Corridor and 13<sup>th</sup> Street Arch
- f. Line 91 Web Site Redesign
- g. Line 96 Lot 2 & 4 Redevelopment
- h. Line 97 Golden Point Urban Renewal Area
- i. Line 102 Community and Promo Activities
- j. Line 103 Promotional Postage
- k. Line 113 Façade Renovations
- l. Line 116 Public Improvement Grants
- m. Line 117 Targeted Business Assistance
- n. Line 118 Energy & Water Efficiency Grants
- o. Line 124 Other Grants

As long as the total projects, grants, and contingency budgets remain under the target levels for the three scenarios, the GURA Board has total discretion on funding such projects. If the Board chooses to use the loan proceeds to fund the above projects, I have prepared another spreadsheet titled "CoBiz Work Plan" that will help you to decide how much of the loan proceeds to use. The current draft funds the projects at approximately the levels previously discussed. As long as these projects in total do not exceed \$360,005 or \$760,010 (or any other draw scenario that the Board might budget for), GURA should continue to meet its loan obligations.

**X. Discussion of Responses to Lots 2 & 4 RFP**

This will be discussed in Executive Session if necessary.