

# THE NEIGHBORHOOD BUILDING

## WESTMINSTER, COLORADO



### ECONOMIC AND FISCAL IMPACTS

## A COLORADO BROWNFIELDS CASE STUDY

#### Background

The Neighborhood Building is part of the Harris Park Historic area in Westminister, Colorado. The area is part of the City of Westminister's plan to revitalize a declining section of this south Westminister neighborhood. The revitalization encompasses a mixed-use, neighborhood redevelopment effort that will blend residential, retail, and other commercial spaces while maintaining the historic integrity of the Harris Park area. The Neighborhood Building is a catalyst project towards this goal.

The Neighborhood Building is a 12,000-square-foot commercial building composed of retail and office space at the northwest corner of 73rd and Lowell. Opening in the summer of 2008, the redevelopment includes plans for the building, a small plaza area adjacent to the building, and a parking lot. The project resulted from successful public-private investment involving the City of Westminister and the building's developer, Community Builders, Inc. The building is owned by the Colorado Rural Housing Development Corporation via a pre-sale agreement and a \$334,000 bridge loan provided by the Westminister Economic Development Authority. The project depended on the initial and on-going cleanup of environmental contamination from its former use as an auto service/gas station.

#### Setting

- Suburban South Westminister, CO
- Harris Park Historic area

#### Site Size

- 0.59 acres

#### Former Use

- Dilapidated, vacant service station, bowling alley, and Dairy King built in 1952/1953

#### New Use

- 12,000 sq. ft. commercial building
- Second floor office over first floor retail
- Public plaza area and parking

#### Environmental Issues

- Leaking underground petroleum storage tank (LUST)
- Petroleum plume under site and extending beneath 73rd Ave to the south

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## Job Creation

- Estimated 23.5 FTE\* office employees
- Estimated 8.5 FTE\* retail employees
- Estimated 25 to 30 jobs during the construction period

\*Full-Time Equivalent

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## New Investment

- Building construction including labor, materials, and soft costs, totaling \$1.4 million
  - City investment in adjacent plaza of \$50,000
  - CDBG allocation of \$100,000 to improve curb and street conditions
  - \$400,000 city grant for land purchase, utility improvements, and water tap credits
  - A large percentage of the total construction investment transacted with in-state and local suppliers and vendors
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## Fiscal Impacts

- Estimated Westminster annual sales tax revenue: \$12,200
- Estimated Adams County annual sales tax revenue: \$2,400
- Estimated incremental property tax revenue of \$35,000 annually for the Westminster Economic Development Authority
- City projects it will earn back its direct investment in 10 years

## Funding Sources and Project Partners

- City of Westminster
- Colorado Division of Oil and Public Safety
- Colorado Rural Housing Development Corporation (CRHDC)
- Community Builders, Inc.
- Westminster Economic Development Authority (WEDA)
- Adams County Micro Business Center



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## Financial Considerations

To address financial gaps in developing the Neighborhood Building, the City of Westminster made various investments alongside the developer. While tax increment financing (TIF) is an available tool for redevelopment projects in an Urban Renewal Area, prior bonding commitments did not allow Westminster to issue new bonds to finance the project. In lieu of bonds, Westminster directly invested approximately \$550,000 to purchase the land, provide credits to pay for water tap fees, support utility improvements, and build a cultural plaza adjacent to the building. The City projects it will recoup its investment in 10 years through increased public revenues directly and indirectly related to this project.

The City, Colorado Rural Housing Development Corporation (CRHDC), and the Adams County Micro Business Center collaborated to attract several possible tenants to the new commercial center. In addition to development incentives, the City plans to subsidize \$5.00 per square foot in rent to the building's occupants for three years to attract an appropriate mix of tenants. CRHDC is providing business development loan assistance to future small businesses of the building. The Adams County Micro Business Center (a potential tenant), is assisting in the recruitment of potential tenants to lease space in the building. From this combined effort, potential tenants include CRHDC, Westminster Teacher's Association, Adams County Micro Business Center, Westminster police, and a hair salon.

The ambiance of the surrounding neighborhood is also important to the revitalization project. Westminster committed a Community Development Block Grant (CDBG) to a variety of curbside and street improvements. The \$100,000 grant covered new sidewalks to encourage pedestrian and recreational activity, historic era street lamps that enhance the cultural appeal of the building, and improved landscaping.

The Colorado Division of Oil and Public Safety is financing and conducting the environmental cleanup.

## Environmental Considerations

The Colorado Division of Oil and Public Safety (OPS) is completing the cleanup under the State Lead program. This means the Petroleum Storage Tank Committee determined the immediately previous owner bears no responsibility for the release. Based on this status, the current owner chose to have the State conduct the remediation. The remedial approach includes soil vapor extraction with oxygen diffusion. While excavating the soil to install remedial system lines and a sub-slab vapor mitigation system, stained and odiferous soils were encountered. The contaminated soil was disposed offsite.

Based on similar projects, the soil extraction system will need to operate for about three years to complete the cleanup. Cleanup costs will total about \$526,000, including \$71,000 for assessment, \$310,000 to install the cleanup system, \$40,000 per year for on-going treatment, and \$25,000 to shutdown the system.

The real estate development was integrated with the site cleanup. OPS worked closely with the developer, the City, and the purchaser of the completed building. This site had unique challenges since the cleanup system had to be designed and installed with the footprint of the building located above the hottest part of the plume. OPS has committed to operating the cleanup system, achieving environmental closure of the site, and communicating with the purchasers.

<b>Annual Economic Impact Summary</b>			
<b>Direct Impacts Only*</b>			
	The Neighborhood Building	Former Use 2000	Increase in New Use
<b>Annual Tax Revenue</b>			
Westminster Real Property Tax Revenue	\$1,900	\$200	\$1,700
Westminster Personal Property Tax Revenue	\$500	\$0	\$500
Westminster Sales Tax Revenue	\$12,200	\$0	\$12,200
<b>Total City Tax Revenues</b>	<b>\$14,600</b>	<b>\$200</b>	<b>\$14,400</b>
Adams County Real Property Tax Revenue	\$14,100	\$1,500	\$12,600
Adams County Personal Property Tax Revenue	\$3,500	\$0	\$3,500
Adams County Sales Tax Revenue	\$2,400	\$0	\$2,400
<b>Total County Tax Revenues</b>	<b>\$20,000</b>	<b>\$1,500</b>	<b>\$18,500</b>
School District 50 Real Property Tax Revenue	\$28,300	\$2,900	\$25,400
School District 50 Personal Property Tax Revenue	\$7,100	\$0	\$7,100
<b>Total School District Revenues</b>	<b>\$35,400</b>	<b>\$0</b>	<b>\$35,400</b>
<b>Business Operations Impacts</b>			
Employment**	32	0	32
Average Wages	\$33,900	\$0	\$33,900
<b>Total Employee Earnings</b>	<b>\$1,084,800</b>	<b>\$0</b>	<b>\$1,084,800</b>
<b>One-Time Impacts</b>			
Building Construction	\$1,400,000	-	\$1,400,000
Environmental Services and Cleanup Over Three Years	\$526,000	-	\$526,000
<b>Total New Investment</b>	<b>\$1,926,000</b>	<b>-</b>	<b>\$1,926,000</b>

\*Gross potential impacts, does not include the value of project waivers or incentives. Property tax estimates do not reflect the anticipated \$35,000 annual tax increment diverted to WEDA due to the project's location within the Urban Renewal Area.

\*\*As many as 22 employees of the new building's tenants will be relocating from other parts of Westminster. However, a total of 32 new Westminster jobs are expected as a result of the project, assuming all vacated building space is eventually fully occupied.

## History

Westminster was first settled in the Harris Park Historic area. The area was named after C.J. Harris who bought and subdivided the land for fruit orchards in the 1880s. Growth in Westminster remained limited until the creation of the Denver-Boulder turnpike in 1952. The Denver-Boulder turnpike, which started as a toll road, brought heavy volumes of traffic and visitors through Westminster. Consequently, the population of Westminster grew by about 50% from 1950-1953, facilitating increased business growth. Post World War II veteran housing projects concentrated around the Harris Park area also spurred growth. In 1952, the Pik Kwik Service Station was built at 73rd and Lowell, accompanied by a small fast food restaurant. The businesses slowly left over the next 20-30 years, leaving the structures abandoned for 15-20 years before the Harris Park revitalization and Urban Renewal Authority were created in 1997. Leakage from the service station's underground petroleum tanks created lingering environmental hazards on the parcel. In fall 2000, the city completed a phase one environmental site assessment on several sites in south Westminster. The former Pik Kwik station was one of nine sites identified as contaminated areas and selected for potential redevelopment projects.

## Community Successes

The Harris Park Historic area became part of an Urban Renewal Area (URA), created in 1997. The URA was created to deal with the challenges of redeveloping the blighted neighborhood. The Neighborhood Building commercial center on the corner of 73rd and Lowell brings value to a property which had deteriorated to the point of abandonment, highlighting the deterioration of the area in general. The community, by leveraging state resources and private partnerships, successfully facilitated the environmental cleanup, redevelopment, and pre-sale of the Neighborhood Building, making significant contributions toward its goals of historic preservation and economic development. Improved walkways, landscaping, and historic restoration in the Harris Park Historic area contribute largely to the emerging appeal of the area. Plans currently exist for 12 new townhomes that will be constructed directly north of the Neighborhood Building.



The increase in value both directly and indirectly related to the Neighborhood Building will increase the Urban Renewal Area's tax increments and will help the city meet their bond commitments and other economic development plans within south Westminster. The value and ambiance the new commercial center brings to the neighborhood is expected to attract private investment to additional developments. Indeed, private developers have cited the Neighborhood Building development as the reason they are considering other nearby projects.

Sources and information provided by: City of Westminster, Adams County Assessor, Community Builders, Inc., Colorado Rural Housing Development Corporation, South Westminster Revitalization Program, U.S. Bureau of Labor Statistics, U.S. Census Bureau.

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