

Horizon Uptown development project in Aurora hits bump

By Andy Vuong *The Denver Post*

Posted: 01/07/2010 01:00:00 AM MST

Updated: 01/07/2010 01:06:11 AM MST

The public-service costs associated with a proposed 500-acre mixed-use development in Aurora are likely to exceed the tax revenue generated from the project after 10 years, according to a new report commissioned by the city.

More than 25,000 residential units must be constructed near the development to meet its retail-sales projections, and the homes "will require city services and will be a financial burden to the community," states a report by BBC Research & Consulting.

The findings raise questions about whether the city, Aurora Public Schools and the Arapahoe County Library District should commit \$90 million in future tax revenue from the Horizon Uptown project to the developer, Lend Lease, whose parent company is based in Australia.

"Any diversion of revenue from the Horizon project will exacerbate the financial problems associated with serving the less productive, but very necessary, accompanying residential development," the report states.

Lend Lease has asked for the so-called tax-increment financing to pay for the project's civic amenities, such as a library, a K-8 school and parking garages. The company would front the \$90 million and recoup the costs over 25 years through property and use taxes generated from Horizon, to be located on the southwest corner of Interstate 70 and E-470.

The \$1.7 billion project would feature 3,800 residential units, 2.9 million square feet of office space and 1.25 million square feet of retail and lodging. To qualify for tax-increment financing, the vacant property has to be declared "blighted" and designated as an urban-renewal area by the city.

The Aurora City Council will meet Monday in its capacity as the Aurora Urban Renewal Authority to review a blight study performed on the property.

Lend Lease estimates that the project would generate nearly \$73 million in net tax revenue for Aurora over 25 years.

Horizon would still create positive tax revenue for the city even after factoring in the need for 25,000 homes, said project director Krista Sprenger. That's because 33,000 homes are already planned within 3 miles of the development, and many would be in Denver, meaning Aurora would not incur their service costs, Sprenger said.

"(Horizon would) provide employment for all of those people who are going to own homes there anyway," said Dick Hinson, senior vice president of the Aurora Economic Development Council. "There are very limited employment-center opportunities and very limited retail opportunities in that corridor."

Horizon may create 20,000 jobs, including 11,000 office jobs. Construction is to begin in 2011 or 2012, with full build-out taking up to 15 years.

"Even with a quality project, the rules should be that our citizens see more benefits than costs," said Aurora Mayor Ed Tauer.

Aurora Councilwoman Barb Cleland said she would support committing "some" tax revenue to the project.

"There's no tax we're really getting off of it now," Cleland said. "One of the things we need to look at is creating jobs for the city."

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I have news for the City of Aurora. Building a development does not create jobs beyond the construction jobs to do the actual building. There must be a *business demand* for the buildings for jobs to appear there. There are reportedly 27 Million square feet of vacant retail and tens of millions of vacant office space in the Denver metro area. What in hell makes Aurora think anyone wants to locate their office all the way out at E470 and I70 when there is plenty of space available in nicer, closer in locations all over the metro area?

Current CoStar statistics. However, according to CoStar analysis of the Denver retail market there is, as of September, 2009, 133 million square feet of retail space in the Denver area with 12.9 million vacant and 15.7 million square feet becoming available. This implies a vacancy rate of 10% currently with a soon to be available vacancy rate of 12%. Yet, the forecast from CoStar is for a 2011 vacancy rate dropping to 9.5%. Considering that the net absorption rate is currently zero, there will have to be a significant recovery in demand to fill that much space and that is not even accounting for the 1.2 million square feet that is under construction. Read more: http://www.denverpost.com/business/ci_14137249#comments#ixzz0byhKvKQm

This stinks to high heavens. Who is Lend Lease? What Lobbyists did they hire to get this sweetheart deal? The study shows the city loses money and we are calling a pasture blighted area? I guess we can use Urban Renewal all the way to the Kansas line! Read more: http://www.denverpost.com/business/ci_14137249#comments#ixzz0byhQfVPW

Deals like this are sucker plays. If a housing development requires a tax break, then it is a bad deal for the City, period. The City should be requiring upfront payments from the developer to offset the increased costs to the City, not offering them a tax break. If the demand is there for housing, someone will build it, hopefully an AMERICAN company. Read more:

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"The developer bought the land and should bear all of the costs as they receive all of the future benefits. In this case, Lend Lease has shown that the proposed development is not feasible without their requested handout. Therefore, the city should not give it to them. There are tens of thousands of finished lots, thousands more that are planned and thousands of acres of land that are available for development that are fully approved now in Aurora. There is insufficient demand for this project at the present time."--Brent HI agree. Where is the risk to investors anymore? What happened to "the cost of doing business?" If Lend Lease doesn't want to risk their money, why should taxpayers have to protect them? Their parent company is based in Australia--I doubt there's much concern for Aurora citizens coming from there. Read more:

http://www.denverpost.com/business/ci_14137249#comments#ixzz0byhZ2IPn

Metro districts are tools for developers to recover their infrastructure costs from future real estate taxes. This request adds an additional financing tool in the form of sales tax diversion back to the developer, instead of to the city. The developer bought the land and should bear all of the costs as they receive all of the future benefits. In this case, Lend Lease has shown that the proposed development is not feasible without their requested handout. Therefore, the city should not give it to them. There are tens of thousands of finished lots, thousands more that are planned and thousands of acres of land that are available for development that are fully approved now in Aurora. There is insufficient demand for this project at the present time. Remember that Lend Lease is the same group that walked away from the School Board/Lowry deal when they were unable to receive subsidies for that development. They are just like every other developer and the city should not throw money at them. Read more:

http://www.denverpost.com/business/ci_14137249#comments#ixzz0byhccJa7

This is a case where the developer gets the profit and the city bears the risk. If there was a shortage of housing, retail and other such development, it would make more sense. But, not in these times. So many developments have been prompted with such schemes that the notion of building something on their own has been lost. In their mind, why should they bear the cost if they can spread to their neighbors? The politicians are the ones that have created this mind-set. If this project has merit, why can it not be built on that merit? Read more:

http://www.denverpost.com/business/ci_14137249#comments#ixzz0byhfX3P6

This is a test of the Aurora politicians, especially the Mayor. Any one of them that supports this project must certainly be benefiting from it, because the city will not. There are already blighted areas in the city in the form of vacant homes, vacant retail space and recently closed libraries. Yet they are seriously considering footing the bill to build more. That idle land could easily stay idle until it is needed. It is NOT needed now. Watch the money. See where Lend-Lease political contributions flow. That will probably indicate which side the politicians will be... on the side of the city, or the side of the developer
Read more:

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Oh, WOW! An Arapahoe county clone of Douglas counties Lone Tree. Just 3,800 more houses though. That's smart growth. Read more:

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Surprise, surprise, a development "deal" that turns out to have greater costs than benefits. At least it's good to see that someone is doing the math, and the future projections, for these sorts of tax breaks. Private developers should pay their own way, and while some deals to help them may be in the public interest, they should also be structured so that if projections don't hold up, it is the developer and not the taxpayers who get left holding the bag. It also seems ironic that libraries are being asked to pony up money, after Aurora recently backed out of - and abandoned - the agreement by which they maintained a branch in a much older development. Read more:

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