

**Boulder Urban Renewal Authority (BURA)  
Board of Commissioners Special Meeting**

**Wednesday, September 29, 2010 / 6:00pm  
City Council Chambers / Boulder Municipal Building / 1777 Broadway**

**BURA BOARD MEMBERS PRESENT:**

K C Becker  
John Wyatt  
Richard Wobbekind  
Jerry Lee  
Chet Winter

**STAFF MEMBERS PRESENT:**

Jane Brautigam, City Manager  
David Gehr, Deputy City Attorney  
David Driskell, Executive Director of Community Planning and Sustainability  
Liz Hanson, Economic Vitality Coordinator

- 1. Call to Order**  
All Commissioners present, quorum met.
- 2. Public Participation**  
No one from the public addressed the board.
- 3. Election of Officers**  
Chairperson Richard Wobbekind (5-0).  
Vice Chairperson Jerry Lee (5-0).
- 4. Appointment of Executive Director**  
Executive Director Jane Brautigam.
- 5. New Business**  
Review and Comment: Consultants' Economic Analysis Report on Diagonal Plaza Redevelopment Options.

**Opening Statements**

**L. Hanson** summarized the history of the Diagonal Plaza and explained that the site is deteriorating both in physical appearance and in tax revenues and has been a topic of discussion for some time. The defined study area is 15 properties over 33 acres. She also introduced the consultant (EPS) that was selected to complete phase one of the economic analysis. This analysis gave estimates on the financial feasibility of three redevelopment scenarios: all commercial (with big box retail), horizontal mixed use, and vertical mixed use. She also emphasized that the diagrams provided by the consultants are not official

and are only to help provide conceptual understanding. She also called special attention to the fact that the land acquisition numbers are estimates and not official.

**Chris Leutzinger, EPS**, acting as the representative from Economic Planning Systems (EPS) gave an overview of their “summary of findings”:

1. Defined the amount space each development scenario would accommodate.
2. The Diagonal Plaza site is a community level retailer with limited appeal to more regional uses.
3. A redeveloped Diagonal Plaza site would be attractive to a limited number of larger format stores seeking access to the Boulder market.
4. Diagonal Plaza could also attract one to four mid-box mass merchandisers given the number of potential store options and the lack of competitive sites.
5. Most of the supportable retail stores fail to generate the desired economic benefits to the City.
6. Scenario 1, commercial big box redevelopment is not feasible even with maximum public investment.
7. Scenario 2, horizontal mixed use redevelopment is also not feasible even with full public financing.
8. Scenario 3, vertical mixed use redevelopment is feasible with tax increment financing (TIF).
9. Although Scenario 3 works from a financial perspective it may not work from a market perspective.
10. The City’s other implementation options include not pursuing redevelopment, or property assembly on an incremental basis. He also gave a brief list of possible retailers and the probably of obtaining each.

**L. Hanson** explained that there will be questions posted on the monitor to help guide the discussion. She asked the board be sure to discuss their thoughts on the need for big box retailers in Boulder, given the findings of the analysis.

### **Board Discussion**

**K. Becker** proposed to begin the discussion with questions or points of clarification from the board.

**C. Winter** requested to hear more about the history of the site and the general attitude toward redevelopment from the City, owners, and market perspectives.

**L. Hanson** stated that out of the 15 property owners 10 are in-state, and she had personally spoken to all of them. All 15 owners received a letter from the City before the request for proposal (RFP) was issued. All the feedback has been positive. She also stated the mini-mall is for sale and other large properties are vacant.

**D. Driskell** stated there is a need for more commercial land in Boulder and this property is underperforming. He restated the question, what role should the city play?

**K. Becker** felt that the land cost estimates were high considering that the land was blighted, and asked EPS to explain how they calculated the numbers.

**C. Leutzinger, EPS,** responded saying that the land cost was difficult to estimate. However, the numbers that were estimated were similar to the price of land in the area. He commented that the lots used for comparison are smaller than the overall study area. However, since the lot would have to be bought parcel by parcel it makes sense to compare to smaller land parcels.

**K. Becker** noticed that 24 Hour Fitness is one of the largest tenants, and asked if this business has created any sales tax revenue (since its not a retail store) and if that could be a reason for the declining numbers.

**L. Hanson** confirmed that the sales tax revenue from a gym is lower than most tenants, but it isn't the main reason for the declining sales tax revenue from the site.

**K. Becker** noted that Costco had a low probability of becoming a tenant (according to the EPS report) and asked if EPS had spoken to Costco directly.

**C. Leutzinger, EPS,** said they spoke to a tenant representative, and used sales statistics to determine their probability of becoming a tenant.

**K. Becker** inquired as to how EPS determined the density numbers for their analysis, because they seem low for Scenario 1.

**C. Leutzinger, EPS,** indicated that it was restricted by surface parking requirements.

**J. Lee** asked about the CAP (capitalization) rate EPS used in the estimates.

**C. Leutzinger, EPS,** said he used a 9% CAP rate and 7-8% for the future.

**K. Becker** asked if EPS felt that there couldn't be any more development on the site for Scenario 1 (big box retailer).

**C. Leutzinger, EPS,** said that it was possible, but very marginal.

**L. Hanson** stated that staff has worked with the consultants to make sure that the scenarios have proper parking ratios to meet city parking requirements.

**R. Wobbekind** said that he wouldn't feel comfortable putting public money into the redevelopment unless there was a big draw to the site. He also said that he would prefer big box redevelopment, however he doesn't think that King Soopers Marketplace would be a large enough draw to guarantee the success of the site.

**J. Lee** requested to know more about the "cannibalization" numbers for other tenants. He stated that the only way to accomplish the increase in revenue the City desires is to either bring people into town to shop or to keep them from leaving town to shop.

**C. Leutzinger, EPS**, stated that the only store that would draw from outside the Boulder, and therefore have the lowest cannibalization numbers, is Costco.

**J. Lee** recalled that the last time there was discussion with Costco about a Boulder location, the company indicated they wouldn't come due to cannibalization from their other site.

### **Public Hearing**

**Steve Colby, Boulder**, asked that the board realize the partnership opportunity with this project. Also, he would like to see them take a direct approach and make a deliberate and proactive effort. He asked that the board keep their options open and consider industrial and government uses as well.

**R. Wobbekind** responded saying that government and industrial uses will not generate the type of revenues that the City is looking for from this site.

**Eric Karnes, Boulder**, explained his background and current occupation as a consultant to national developers, and his belief that his insight may be beneficial. He spoke to his experience working with developers in the south and indicated that Atlanta had made the mistake of over cannibalizing their retail markets which jeopardized the existence of its traditional shopping centers. He also warned BURA that recent trends indicate that big box retailers are not doing well and advised the commissioners to go with a mid-box mixed use with a combination of residential and office space. He also advised BURA to use one developer throughout the entire project.

**C. Winter** inquired if the developers Mr. Karnes represented would be interested in this site.

**Eric Karnes, Boulder**, indicated that there was a good chance they would be interested. However, there are still many unanswered questions about the site.

**R. Wobbekind** inquired as to why the neighboring Housing Authority site wasn't included.

**L. Hanson** said it could still be added, however it was left out for this initial analysis.

**John Schwartz, Boulder**, introduced himself as a co-owner of property number 14 on the study map. He said they recently did improvements on the building and pointed out that, compared to land costs, the improvement costs are extremely high.

**C. Winter** asked the property owner what he would like to see (in terms of redevelopment).

**John Schwartz, Boulder**, stated that it is a very complicated situation. However, he agreed that redevelopment was a good idea. He agreed the area was dysfunctional and

complicated given the many owners and that the City should look at a more incremental approach.

**J. Wyatt** asked the owner how his property was performing.

**John Schwartz, Boulder,** said that despite a bad market they were doing well and vacancies were low. However, rental returns are low and the market is very bad.

### **Public Participation closed**

**J. Wyatt** asked how other shopping centers are doing, and in particular, Twenty Ninth Street.

**L. Hanson** said that some areas of Twenty Ninth Street may be re-branded, mainly the central plaza area. She indicated overall the site is doing very well, vacancies are low and tax revenues are up. She also indicated that the sites are fundamentally different and the redevelopment of Twenty Ninth Street had no public financing.

**K. Becker** pointed out that the Transit Village project was going to displace some industrial buildings, and asked if that was considered when planning uses for Diagonal Plaza.

**D. Driskell** responded that Diagonal Plaza was not considered as a possible replacement for the displaced industrial buildings because it is prime commercial redevelopment space in the City.

**R. Wobbekind and J. Wyatt** both asked about the possibility of buying the properties one by one as they became available and slowly developing the property.

**D. Driskell** responded by saying that it would be difficult given the interconnectedness of the parcels.

**K. Becker** asked for confirmation that the purpose of this meeting is to render a recommendation from BURA.

**D. Driskell** confirmed KC Becker's inquiry and explained that Planning Board will also be informed on the process and then the City Council will give direction to city staff on the project.

### **Discussion Question: "What are the BURA Commissioners' comments on the consultants' economic analysis?"**

**R. Wobbekind** wanted to know more about density numbers. He feels that for the project to work it will need higher density.

**D. Driskell** responded saying that the City staff worked with the consultants to be sure the scenarios had higher density numbers.

**R. Wobbekind** stated that all the scenarios will need higher density to truly be successful.

**C. Winter** said that it is a good time to be planning for this site (given the current economic climate) and he wants to keep the project moving forward. Also, he suggested that it may be beneficial to bring in developers to share their perspective and to get a more realistic feel for the possible success of the site. He said Diagonal Plaza is a golden opportunity to do some creative thinking.

**J. Lee** commended EPS, however, the exact financial estimates were very inexact and wanted to move forward and get feedback from retailers and developers to better determine the feasibility of the redevelopment. He also stated he was confident the property owners would be “on board” since they only have one piece of the site. He then asked the city staff what they want to see. It is very important to bring in developers and see if they are interested.

**C. Winter** restated that he feels that this project could be extremely exciting and is a great chance to be very creative. However, the City needs to talk to developers.

**Discussion Question: “What do the BURA Commissioners believe to be the most important development scenario for the Diagonal Plaza Area?”**

- a) **As one of the last viable “Big Box” retail districts?**
- b) **As a mixed use redevelopment district?**
- c) **Another land use option?**

**K. Becker** questioned some of EPS’ assumptions on land cost and density, and wanted more information about market feasibility. With the information present there needs to be higher density and lower land costs for the project to be successful. She wants affordable shopping in Boulder that will raise sales tax revenue and to bring in something new. A large commercial site is rare. Furthermore, she feels the city needs to take an intentional approach to redevelopment, and emphasized the need to bring in a private developer to have a conversation. She restated her desire for higher density in a big box development.

**R. Wobbekind** agreed with KC Becker, and said that Scenario 3 is not appealing since mid-box stores would compete with other Boulder stores. He wants something that will draw people into the city. He feels that Costco has the best ability to do that. He recalled that the Twenty Ninth Street development occurred with no public money being involved. He also agreed that they need to talk to developers about the project. He stated that if the City wants the project to go forward then it has to make it happen, especially in a tough economic environment.

**Discussion Question: “Do the BURA Commissioners believe that there is a compelling economic reason for the city to pursue a public-private partnership for the redevelopment of the Diagonal Plaza area? If so, what do the BURA**

**Commissioners recommend as the next steps (e.g. blight study, area planning, further economic analysis), if any?"**

**D. Driskell** informed the board that there was an initial conversation with the local ULI (Urban Land Institute) group to identify who they would to bring in for a charette.

**R. Wobbekind** said that a ULI analysis would be fine. He wants to move along with the project and feels that a blight study is the next step because if the City can't assemble the properties they can't move forward.

**K. Becker** felt that area planning efforts would not be a good use of staff's time if the project won't work

**R. Wobbekind** stated that a ULI analysis is only brainstorming and therefore is very low cost.

**J. Lee** made the point that the City needs to define a vision for the site before any real redevelopment decisions can be made.

**K. Becker and R. Wobbekind** both agreed that TIF will be needed to complete this project.

**Discussion Question: Is a new big box store important for Boulder's economy?**

**a) If yes, is the Diagonal Plaza the only likely place that a big box can be located?**

**b) If yes, what level of public subsidy or other strategy is appropriate for the city to pursue in achieving this objective?**

**c) If no, should the City pursue other redevelopment options at this time?**

**d) If no, should the City pursue other options for the interim improvements to the Diagonal Plaza site to enhance its appearance, function, and tax revenue?**

**R. Wobbekind** restated that he would like to see some sort of big box development for the site the developers. If indicate that it will not work he will accept other options, however this is the last place for a big box development to occur in Boulder and he believes the city needs a mass retailer in the core area.

**K. Becker** supported Wobbekind's statement and cited Transit Village and McKenzie Junction as other sites that would not work for a big box development.

All the commissioners agreed that there shouldn't be any city funds put into an attempt to fix the appearance of the site for the time being (no to option D). Rather, the city should wait for the results of a blight study to determine the possibility of redevelopment and consider a low cost ULI (Urban Land Institute) analysis.

The meeting was adjourned at 7:50 p.m.