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**DOWNTOWN DEVELOPMENT  
AUTHORITY (DDA):  
FEASIBILITY STUDY**

Town of Pagosa Springs  
*January 2007*

*Research conducted by:*

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## INTRODUCTION

The Town of Pagosa Springs commissioned a study to explore the feasibility of an organizational entity that would focus its efforts on downtown revitalization. The adoption of the “big box” ordinance in March 2006 prompted Town Council to consider the impacts that development of large format retailers in other areas of the Town would have on the downtown.

One goal of the study was to explore the various organizational and legal structures that might include: taxation districts to fund capital improvements within that district; support and promotion for businesses within those districts; special event coordination and promotion; and general ‘branding’ and positioning for Pagosa Springs’ downtown.

Support for formation of an entity would require the involvement of downtown business and property owners in concert with the Town. As such, a survey was conducted in January 2007 of owners to measure the level of potential support for formation of a special district such as a Downtown Development Authority (DDA), Urban Renewal Authority (URA), or a Business Improvement District (BID). In addition to the survey, interviews with Town Council members were conducted based on a common set of questions (included in the Appendix to this report). Finally, research on the various types of districts and organizations was performed as well as projections of potential property and sales tax revenues that could be gained through formation of a district. Recommendations and a proposed timeline/implementation plan conclude this report.

### *Sub-Areas of Downtown*

Throughout this report, reference is made to different “sub-areas” of downtown that roughly correspond to Downtown Master Plan definitions. A map of these sub-areas is provided in the Appendix, with the definitions being:

1. East End: East of 1st Street Bridge (River Center area/Sawmill)
  2. East Village (Pagosa Street between 1st and 3rd Streets)
  3. Downtown Core (Lewis and Pagosa Streets, between 3rd and 5th Streets)
  4. West End (West of 5th Street)
  5. Hot Springs Boulevard
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## DOWNTOWN: EXISTING CONDITIONS

Downtown Pagosa Springs is at a pivotal point in its development. As the Town faces the inevitable growth pressures that challenge its resources, the downtown is at risk of deterioration and decline unless intervention on the part of the Town and private sectors takes place in the near future.

Informal interviews with business/property owners and survey results suggest that there is a perception that the economy and general health of the downtown are suffering, and that the private sector alone cannot solve the myriad problems that are facing the business and development communities. Based on comments from the surveys and interviews, there are a variety of factors that contribute to is perception:

- Poor local economic conditions (jobs, industry, workforce);
- Perception of a lack of a cohesive “vision” for the downtown;
- Insufficient “critical mass” to create a strong draw downtown;
- Few special events and venues for activities;
- Lack of convenient parking;
- Lack of an adopted Downtown Master Plan and Design Guidelines to guide development plans;
- Insufficient resident and tourist population base to support enterprises;
- Lack of cohesiveness within business community (i.e., focused organizational entity dedicated to promoting downtown);
- Historic preservation policies;
- Lack of development activity and investment in downtown.

At the same time, there is recognition that the downtown is home to assets unique to Pagosa Springs and treasured by locals and tourists alike – the San Juan River, hot springs, Reservoir Hill, and the park system, to name a few. Building upon these assets by investing in the downtown through addressing the above challenges in a systematic way will hopefully send the message to the broader community that the Town is committed to revitalization efforts.

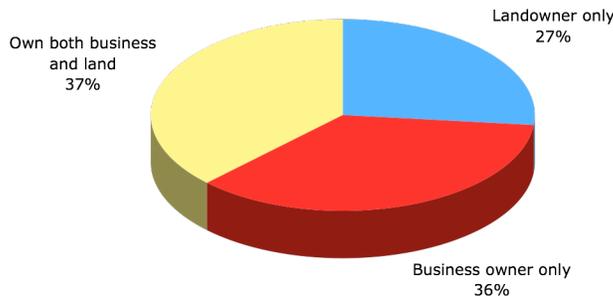
**DOWNTOWN BUSINESS/PROPERTY OWNER SURVEY**

To measure the “feasibility” of formation of any kind of special district, it is necessary to test the receptivity of business and property owners within the district to the concept. To accomplish this, a brief survey was distributed to business and property owners regarding potential support for formation of a district, property tax assessments, willingness to volunteer, and the Town actions or policies that would be most helpful to owners.

A total of 188 surveys were distributed (104 were mailed to property owners; 84 were handed out to downtown businesses) the first week of January 2007. A total of 56 surveys were returned, for a response rate of 30 percent. The survey instrument, compiled comments, and data tables are included in the Appendix to this report.

*Respondent Profile*

Responses were fairly evenly divided between landowners (27 percent), business owners (36 percent), and combination business/landowners (37 percent).



The Downtown Core represented the strongest district in terms of number of responses, with about half of both property as well as business owners being from this district. The East Village represented 34 percent of responses, followed by the West End (14 percent), Hot Springs Boulevard (14 percent), and River Center area (6 percent).

TABLE  
LOCATION OF RESPONDENT BUSINESSES AND PROPERTIES

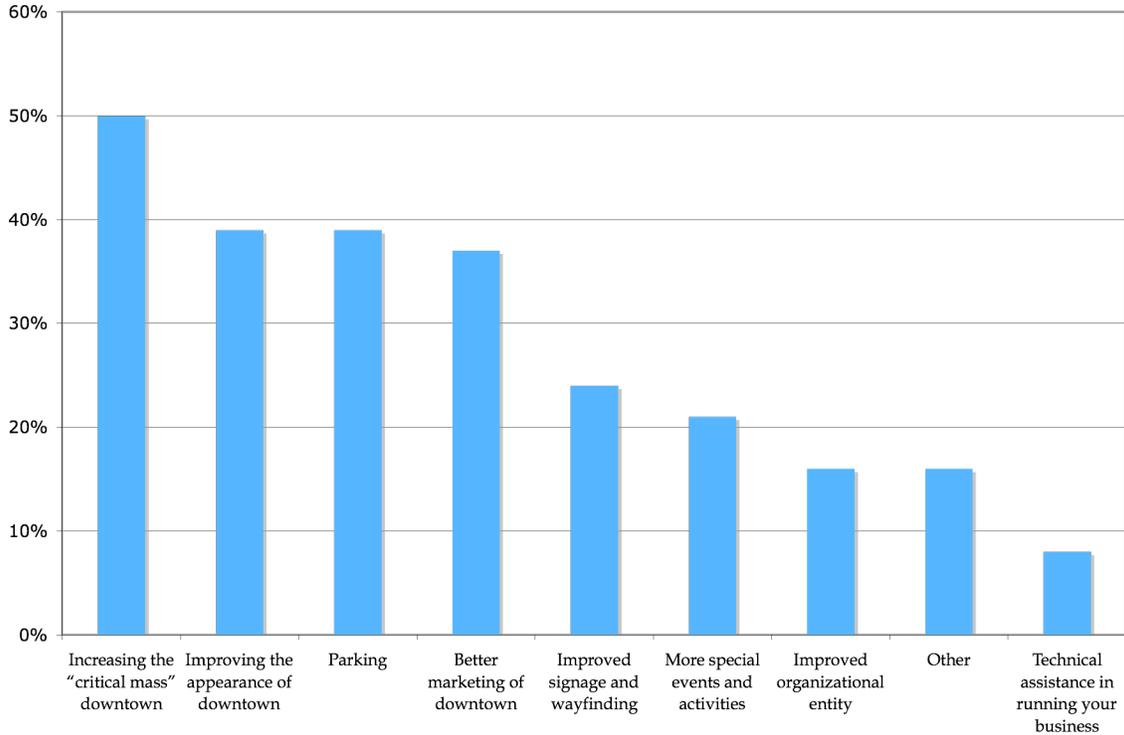
	Location of Properties Owned	Location of Businesses Owned
Downtown Core	54%	48%
East Village	34	24
West End	14	7
Hot Springs Blvd	14	10
East of 1 <sup>st</sup> Street Bridge	6	12

For the rest of the analysis, “overall” responses will be presented as well as compared by the five downtown districts. This type of analysis is helpful in determining the potential boundaries of the district.

While respondents reported generally upward trends in terms of revenues over the past 2, 5, and 10 years, one of the more telling barometers of the health of downtown businesses is whether the owner intends to expand the business in the next two years. Among business owners, 71 percent did not intend to expand their business.

When asked what actions or improvements would most help in terms of improving the performance of your business, the predominant responses were “increasing the critical mass downtown,” improving the appearance, and parking.

FIGURE  
WHAT ACTIONS OR IMPROVEMENT WOULD MOST HELP IN  
IMPROVING THE PERFORMANCE OF YOUR BUSINESS?



### *Potential for District Formation*

A series of questions was asked regarding the potential formation of a special district dedicated to downtown revitalization. The following question was posed to both property and business owners:

The Town is studying the feasibility of a special downtown district that would have the taxing authority to finance projects (e.g., parking structures, pedestrian trails, streetscape improvements, etc.) through the issuance of bonds, tax increment financing, and other public financing tools. This District could also have the responsibility of marketing and promoting downtown, organize downtown events, and so on. Establishment of this district would be subject to a **vote of both property and business owners**. How would you likely vote regarding establishing a special district that would focus on downtown revitalization?

- 45% I would likely vote **for** establishing this District
- 30% I would likely vote **against** establishing this District
- 25% I don't know

Nearly half of all respondents indicated that they would vote for formation of a district, with 30 percent indicating they would vote against it, and another 25 percent saying "they didn't know." Business owners were more likely to vote for the District than property owners (45-52 percent of business owners were likely to vote for the District compared to 33 percent of landowners).

There were also interesting variations in response patterns depending on the location of the business or property. While sample sizes were small, there tended to be less enthusiasm regarding formation of a District among owners within the Downtown Core, while respondents from the East Village were more supportive (67 percent of East Village were supportive compared to 47 percent of Downtown Core). Note that when adding in the "don't know" responses from Downtown Core, 63 percent would support or may consider the formation of a District, indicating that education may help to allay concerns and potential opposition prior to an election.

### *Operational/Financial Issues Related to District Formation*

Successful operation of a downtown district will require sources of funding, typically provided through a variety of financing mechanisms. One of the more common sources used in improvement districts is an 'ad valorem' property tax levy assessed on an equitable and rational basis of determining benefit, such as distance from a parking structure, etc.

When property owners were asked whether they would consider a modest increase in property tax, responses were evenly divided (46 percent in support/54 percent against). Again, there were variations depending the area of downtown, with Downtown Core property owners tending to be more negative regarding supporting a tax (44 percent in support) compared to other areas of downtown (50-60 percent for owners in East End, East Village, and the West End).

There was moderate support for financially contributing to the hiring of an executive director to handle operational duties for the district (on an equitable and rational basis per property, such as square footage). Thirty-eight percent would financially contribute

to supporting such a position.

Respondents were somewhat more likely to offer support in the form of volunteering to serve on a Board or sub-committee. Half of all respondents would be willing to volunteer, with business owners tending to be more willing to donate their time as compared to landowners.

<b>OVERALL</b>		
Would you be willing to financially support hiring a paid director to administer a downtown revitalization program?	<b>Yes</b>	<b>38%</b>
	<b>No</b>	<b>62%</b>
Would you be willing to volunteer your time to serve on a Board or sub-committee?	<b>Yes</b>	<b>50%</b>
	<b>No</b>	<b>50%</b>

Respondents were then asked to comment on the broad concept of a downtown revitalization program. Responses were generally positive, with several owners liking the fact that they would have “a say” in how the downtown functions given their investments there. There was also support for bolstering the economy through reducing the reliance on tourism, increasing promotions, creating incentives for businesses to locate downtown, and “shop local” campaigns. There was concern over business owners being able to vote to impose tax levies on property owners, which was thought to be “taxation without representation.”

- Allow property owners to vote in town elections; value small businesses over big box!!*
- Look to use existing funds and organization (e.g., sales tax receipts/Chamber of Commerce) effectively without seeking to burden business with additional costs. We need more tourist visits through effective promotion of Pagosa Springs.*
- Bring industry to town that will bring people to support our business. And not rely on the weather to bring people/customers to town. The tourists will be a bonus!!!*
- Treat business owners/property owners who don't live in town with more respect. Give them a voice.*
- Downtown property owners should be able to vote in city elections regardless of personal residence location!*
- Let's grow! With control!!*
- Assist me, as an owner of one of the Adobe condos, to get management to have rules/laws followed. Need better management of our building.*
- Commercial property tax is already outrageous. How many downtown revitalization plans have been formulated and ignored? I can think of several! What happened to that last plan (2-3 years ago)??? Why keep paying planners and then ignoring plans??*
- With old buildings, one can't increase rents according to overhead costs. My overhead can't compete with low rents.*
- I like the fact that I can have a say since I live in the County. I would not join the Chamber but support this instead (Chamber dues).*

*Develop riverfront in Town Center. Get parking away from river and town center (Pagosa Street). Make Town Center pedestrian friendly. Divert traffic around the Pagosa Street Town Center.*

*Should be subject to an overall strategic development plan. Need to know how the taxes would be used - no taxation without representation. Need to establish a downtown merchant's association.*

*Incentives for businesses and individuals to locate here.*

*Put a sales tax on the downtown area -- then let the business owners vote and run things. But if the tax is on the property then only the property owners should vote!! Anything else is "taxation without representation."*

*Stay out of historic building restrictions, encourage smart growth. Help businesses grow and produce more revenue for the town!!!!*

*Reduce taxes.*

*Slow down traffic - going east.*

*The business owners will be paying higher rents to cover additional taxes, so ask them if they want to pay more in rent.*

*Main Street parking meters? Proper density parking requirements for new structures and remodel of existing structures to comply with density. Impact fees for new construction.*

*Proper parking!*

*Have the Town Council and Planning Commission decisions be consistent with the goals and objectives of the Boards! Based on the Comprehensive Plan, etc. Rather than taxing the property owners and businesses, why not institute a town sales tax so everyone who shops in Town participates and supports improvements -- spread the financial base. Don't just tax property or business owners.*

*Include the River Center in more "Downtown" functions*

*As noted above, if the Town could petition CDOT to lower the speed from 35 mph to 25 mph on East (Village) Pagosa St. and to more actively enhance the current speed limit would help*

*Parking, more special events*

*A district can be very valuable but caution is necessary to avoid excessive spending*

*Physically and politically, fix what is broken, clean what is dirty, enhance what is not useful or interesting, and invite others to experience the area with us.*

*Our revenues did not increase at the rate that we expected. No more shop the merchants and get a sticker! The business owners and property owners will not be the only ones to benefit from all these changes. Everybody will benefit. So why not spread the cost of these improvements to everyone? Include the opinions of neighboring property owners in making decisions concerning the aesthetics of a new building that could affect the life space of said owner. Be willing to work with developers if they have a vision or a history that would enhance the future architectural integrity and the business climate in our downtown. Rethink all this on-site parking - it's overrated. Give David Brown the green light! Don't worry about the people will think -- be strong -- make decisions.*

*Bike trail like Summit County and other areas would draw great groups, singles and families. Better use of the fund already in the hands of the Chamber group and better planning of special events. This does not include the Sundowner which is a waste of money for a few regulars. River restoration needs to continue and red tape needs to go away to get job done and draw other groups.*

*Lower business taxes and more special events.*

*Don't do anything without the support of the downtown business and property owners - Jim Smith*

*Preserve old Pagosa - don't raise taxes. Invite developers to leave us alone.*

*Quit basing property taxes on the actions of an individual buyer who skewed property values. Leave us alone*

*Shop locally campaign. I feel local residents do not support the businesses. I survive solely on tourism.*

*Have those who would like to develop or redevelop downtown pay the impact fees themselves.*

*It isn't right to have taxes raised to support someone else's venture. Larger government and more committees don't create progress!*

## TOWN COUNCIL MEMBER INTERVIEWS

Interviews with Town Council members were held the week of December 11<sup>th</sup>, 2006, with sessions lasting roughly one hour in length. A total of five one-on-one interviews were held, with the goal being to summarize Council members' "vision" for the downtown and the role of the Town in revitalization efforts. A copy of the interview guidelines is included in the Appendix.

## SUMMARY

Council members were unanimous in their concern for the health of downtown and that the Town has a responsibility to ensure that the downtown continues to thrive and serve as the heart of the community. There was consensus around the broad "vision" for downtown – that it should be pedestrian-friendly with trails, parks, and open space, complementing a thriving built environment that integrates retail, office, and residential uses into a vibrant mixed-use, well-designed center for the community. One Council member described the downtown as the "hub of entertainment and relaxation - a place for people to congregate and meet others – with sidewalk cafes, interesting stores, landscaping, and convenient parking."

There were several key areas that Councilmembers felt needed to be addressed in the near-term if downtown were to be preserved: **1) appropriate design and planning regulations; 2) parking; 3) businesses; 4) activities and special events.** In setting policy regarding these issues, several Councilmembers commented that a well thought out, long-term perspective must be taken in crafting policy, and that a "crisis management," reactive approach would result in short-sighted and fragmented policies potentially harmful to the health of the downtown.

### *Design and Use Regulations*

All Council members noted the lack of "critical mass" downtown and consequently many were in favor of higher density, mixed-uses in the downtown (i.e., commercial on first floor, office and/or residential on upper floors). One Council member noted that "lower densities downtown translates into sprawl elsewhere in the community." All of Council noted the need for residential units incorporated into any new development, and a few hoped that these units would remain "affordable." There was recognition that encouraging mixed-use/residential uses was critical to fostering a sense of vibrancy to the district through extended hours for retail and dining, more activities and events, and so on.

Most agreed that the higher densities should lie along Hot Springs Boulevard and in the downtown core, and that lower densities were more appropriate in outlying areas of downtown (East and West Ends). One Council member indicated he did not want to “see a canyon of condos on the river,” suggesting concern for maintaining public access, setbacks, and openness along the river corridor.

Members were also unanimous in their support for a stronger pedestrian orientation in the form of wider sidewalks, an interconnected trail system, attractive landscaping and highlighting of interesting features, and urban design concepts that encourage people to get out of their cars to walk, shop, dine and experience the downtown to its fullest.

There was concern about the impacts of Highway 160, and that the north and south sides of the highway were going to be increasingly divided unless drastic measures were taken to “physically join the two sides,” such as an overpass or underpass. While the Town would be interested in participating in such measures, initiative and organization on the part of the property owners of the north and south sides of Highway 160 would be required to create the partnership necessary to accomplish these measures.

### *Parking*

Parking was widely acknowledged as being “one of our biggest problems downtown.” There was general agreement that exclusive reliance on on-site parking for new development was not a good idea, and that the Town must be looking at shared parking and public parking structures in the future.

The parking structure in Town Park as shown in the Downtown Master Plan was well received by some, although all said that there needed to be a site evaluation before definitive conclusions were drawn. While the Town was willing to initiate the discussion on parking and participate in the funding of the solution, several Council members stressed that, to date, business and property owners have “gotten a free ride” and that, at some point in the future, they will need to participate in paying for parking.

In terms of new development, most Council members supported reduced parking requirements as long as parking “in-lieu” fees were assessed. One Council member was concerned that, unless it was very clear as to where these funds would be directed, in-lieu fees should not be collected and banked.

### *Downtown Businesses*

The health of downtown businesses was of concern to Council members, although there was a difference of opinion regarding the “vision” for downtown relative to commercial development. Some Councilmembers wanted to see downtown continue to offer goods and services to locals (i.e., pharmacy, clothing, etc.), while others saw downtown developing into a destination primarily designed for tourists.

Again, nearly all Council members felt that there needed to be more “critical mass” downtown (consistent with the results from the Downtown Business Owner Survey). To that end, it would be important to encourage “one-stop shopping,” making it convenient to park one’s vehicle and walk to a variety of stores.

In terms of the types of businesses that would be appropriate for downtown, some felt that, given land prices, downtown would necessarily become more “upscale” in terms of goods and services. One Council member commented that “rubber tomahawk shops can’t support the land prices.” In contrast, another member worried that the downtown would become “too high end” and that development was occurring “too much, too soon.”

At the same time, all Council members were emphatic in their support for the existing local businesses, and that these businesses are “critical to the success of our community.” Realizing that many of these businesses are “struggling,” one Council member suggested that Town “needs to give more money back to businesses to help them run their businesses better.” Another said that the Town “needs to be supportive of businesses, not controlling.”

Regardless of the type of assistance that the Town might offer to downtown businesses, some Council members felt that “a willingness to work together, or organize, or participate in improving the situation” was absent among business owners. This perceived lack of cohesiveness was of concern to Town Council, as some felt that Town cannot remedy the problems without the input and participation of downtown business and property owners.

### *Activities/Special Events*

Council members were asked to comment on the role of special events and activities in reenergizing the downtown. One Council member said that they are “indispensable” and that the free concerts in the park this past summer prompted the comment from a constituent: “we have a real town, finally.”

The Downtown Master Plan has proposed the designation of Lewis Street as a Market Street, closing periodically for street fairs and farmer’s markets. Opinions were divided on this concept, with one Council member saying that “closing Lewis Street doesn’t work” due to the scheduling conflicts, while others supported the concept. Most agreed that downtown needs more venues for indoor and outdoor performances, but that we need “more small ones, not one large one.”

### *Role of the Town*

Council members agreed that it was incumbent upon the Town to assure that the downtown was protected and cared for as the “heart of the community.” While there was some concern that the Town should be “fair” in apportioning resources between “uptown” and downtown, it was generally acknowledged that the downtown is the

“primary tourist draw” and should be safeguarded accordingly as an invaluable asset of the town. Consideration should be given to creating incentives in order to attract the right types of businesses and development, although some felt that these incentives should *not* be strictly financial but could also take the form of flexible design standards, provision of open space and parks, etc. Again, several Council members reiterated that any solutions to these challenges would require the active participation of the private sector in order to be successful.



## DEVELOPMENT / REDEVELOPMENT INVESTMENT IN DOWNTOWN

One of the barometers measuring the degree of optimism and confidence in the health of the downtown is the willingness to invest in development. Based on 2006 County tax assessor records, two-third of the acreage in the downtown commercial corridor is unimproved (66 percent or a total of 138 acres). In terms of the number of lots, many of these lots are larger parcels located predominately in the "Sawmill" and Hot Springs Boulevard sub-areas of downtown. While it appears that there may be some measure of development and redevelopment activity this year, it remains that there is clearly reluctance from the investment community to initiate projects unless some of the issues identified above are addressed.

TABLE  
UNIMPROVED LAND (LOTS AND ACREAGE) IN DOWNTOWN  
(EXCLUDING PUBLICLY OWNED PROPERTIES)

	<u>TOTAL LOTS</u>	<u>TOTAL ACREAGE</u>	<u>Unimproved Land (acreage)</u>	<u>% of Unimproved Land (lots)</u>	<u>% of Unimproved Land (acreage)</u>
Sawmill	10	89	79	60%	89%
East End	22	37	11	18%	30%
East Village	34	8	2	26%	27%
Downtown Core	65	7	<1	5%	6%
West End	21	8	1.5	19%	18%
Hot Springs Bld.	32	58	43	56%	74%
<b>TOTAL</b>	<b>184</b>	<b>208</b>	<b>138</b>	<b>24%</b>	<b>66%</b>

There are very real financial consequences in the form of foregone revenues through land that remains underutilized. Using conservative assumptions, it is estimated that between \$100-\$400,000 of annual property tax revenues are unrealized, or 13 percent of total property tax revenues collected by the County from the downtown district. (Note that these revenues are distributed to Special Districts such as the schools, fire, health districts, etc. in addition to the Town that retains 1.557 mills of the total 64.277 mills collected).

TABLE  
POTENTIAL COMMERCIAL PROPERTY TAX REVENUES AT  
VARIOUS STAGES OF BUILDOUT OF VACANT LAND \*

	<u>Tax @ 25%</u> <u>Buildout</u> <u>of Vacant Land</u>	<u>Tax @ 50%</u> <u>Buildout</u> <u>of Vacant Land</u>	<u>Tax @ 100% Buildout</u> <u>of Vacant Land</u>
Sawmill	\$30,527	\$61,055	\$122,110
East End	\$3,967	\$7,934	\$15,868
East Village	\$12,139	\$24,277	\$48,554
Downtown Core	\$5,547	\$11,094	\$22,187
West End	\$7,894	\$15,789	\$31,577
Hot Springs Blvd.	\$40,966	\$81,931	\$163,862
<b>TOTAL</b>	<b>\$101,039</b>	<b>\$202,079</b>	<b>\$404,158</b>

\*Assumptions include commercial tax assessment rate (29%); does not include redevelopment of public or private properties. Potential revenues represented are prior to distribution to special districts, i.e., schools, etc.

The loss in sales tax revenues from undeveloped land is even more significant. Assuming annual sales tax revenues of \$3.80/square foot (of selling space) attributable to the Town (2 percent of the total 6.9 percent collected), it is estimated that approximately \$1.3 million dollars in sales tax revenues is foregone through undeveloped land, or roughly one-third of total current sales tax collections.<sup>1</sup>

Note that these estimates are approximate, and are based on conservative assumptions regarding growth, appraisal values, etc., and do not include redevelopment sites (e.g., Courthouse, school sites, and so on), which would potentially more than double the revenues if converted to commercial and residential uses. Lodging tax revenues would also increase significantly given the accommodations uses proposed in the Mountain Crossing (Sawmill) and Hot Springs Boulevard Master Plans.

The bottom line is that a significant volume of revenues is not being captured as a result of land that is not maximized to its full potential. Addressing the concerns of the investment community (e.g., parking, planning guidelines, special events, etc.) would hopefully facilitate increased confidence and consequently heightened investment in the downtown, not just in terms of development but also other forms of investment such as business relocation and expansion.

<sup>1</sup> The sales tax assumption of \$3.80/sf was based on aggregate sales tax collections from six downtown businesses divided by the combined square footage of retail sales space.

**CONCLUSIONS/RECOMMENDATIONS**

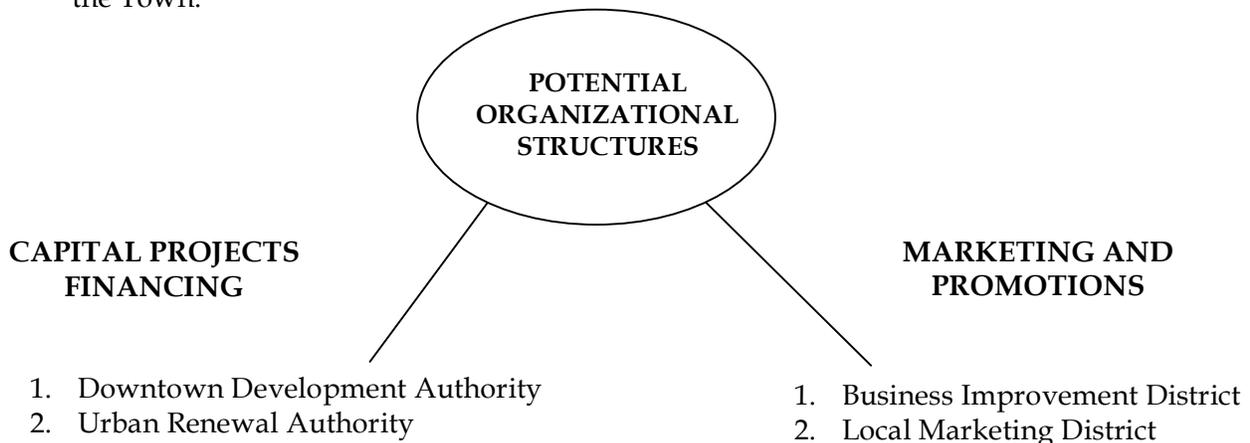
Given that the survey results indicated support for potential formation of a special district for downtown, the question now becomes analyzing the different types of districts and developing an implementation strategy for taking the next steps.

There are a number of different legal and structural entities that could serve the needs of the downtown. The purpose of this report is not to make conclusive recommendations regarding the specific form that this district might take, but to give Council the information necessary to make an informed decision on whether to move forward with formation of a district.

Throughout the course of the research, it has become increasingly clear that the downtown would benefit from an entity that would accomplish two objectives: 1) marketing and promotion of the downtown; and 2) have the taxing authority to finance capital projects and public improvements. While additional research and legal counsel should be obtained on the specific form that the district might take, it is important that the *comprehensive* needs of the downtown be taken into account in this process. In other words, reinvigorating downtown will not take place solely through marketing and promotions without investing in the infrastructure, and vice versa.

Based on preliminary research, consideration should be given to a “hybrid” approach that achieves both the marketing and capital objectives for the downtown. For example, as shown in the figure below, a blend of a DDA or URA with a BID, for example, would allow for financing capital projects through tax increment financing and marketing/promotion of the downtown. (DDAs and URAs statutorily cannot engage in marketing; conversely, a BID does not have the authority to finance public projects through tax increment financing, an important tool that the Town should strongly consider in financing its capital projects).

A brief discussion of a Downtown Development Authority (DDA), Business Improvement District (BID), and a comparison to other potential entities is presented below. A discussion of tax increment financing (TIF) is also presented, which is strongly recommended as a potential financing tool that could be utilized by a DDA, URA, or by the Town.



*Downtown Development Authority (DDA)*

A Downtown Development Authority is an independent governmental entity formed by a municipality, with the approval of the voters in the DDA District. The purpose of a DDA is to halt or prevent deterioration of property values or structures within central business districts and to assist in redevelopment activities in the downtown.

A DDA is created by a majority vote of qualified electors residing in or owning/leasing property in a specified area that must be in the “central business district.” A DDA is controlled by a board that is appointed by the Town consisting of 5 to 11 members, a majority of which must live or own property within the District.

A DDA must create a development plan that outlines and prioritizes public improvements to be made within the District. This plan must be approved by the Town Council and/or Planning Commission.

A DDA can assess an ‘ad valorem’ property tax levy of up to 5 mills for operating purposes. A DDA can utilize tax increment financing (TIF) to finance capital projects (subject to District voter approval and the approval of the Town). The municipality can issue bonds on behalf of the DDA (in contrast to URAs, who have the authority to issue bonds without a vote). DDAs are subject to TABOR laws, so elections must be held on issuance of bonds and any tax levies.

*Urban Renewal Authority (URA)*

A URA is very similar to a DDA with the following primary differences:

- For a URA, a finding of “blight” is required;
- A URA can condemn private property but a DDA cannot;
- A URA can issue bonds without a vote;
- A Municipal governing body may govern the URA, but not a DDA;
- A Municipal governing body must issue the bonds for a DDA;
- A URA can be formed without voter approval

*Business Improvement District (BID)*

A BID is a separate political subdivision created within a municipality upon petition of owners of real or personal property in the service area of the proposed district for purposes of constructing public improvements and supporting economic and business development within the district. BIDs are created to provide certain services that a DDA cannot, such as consulting on planning or managing development activities, promotion or marketing activities, and business recruitment, management, and development.

The Board of Directors for a DDA may serve as the board for the BID as long as more than half of the property within the BID lies within the DDA boundary. A BID can issue bonds and has the same ad valorem taxing authority as a DDA, but cannot use TIFs to finance projects.

### *Tax Increment Financing (TIF)*

Tax increment financing (TIF) is a unique mechanism that enables both DDAs and URAs to use the net new tax revenues generated by a redevelopment project to help finance the project. In effect, TIF results in the creation of new sources of tax revenue that wouldn't have been available if the project hadn't been undertaken. When a redevelopment project is being planned, the authority analyzes how much additional property and/or sales taxes may be generated once it is completed. That "tax increment" then can be used by the authority to either finance the issuance of bonds or to reimburse developers for a portion of their project costs. In either case, the new tax revenue that is created 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 conditions, or site acquisition.

TIFs can only be used when a blighted area or property can't be redeveloped without public investment and when it meets a public objective, and then only to fill the gap between the total project cost and the level of private financing the project can support. In the case of developer reimbursement, the amount of money reimbursed depends on the success of the project, with the developer being reimbursed only if the project creates the additional tax revenue for the town.

Once a project is paid for, all the additional taxes created by the project go to the normal taxing entities. Thus, TIF creates long-term value to the town by returning formerly blighted properties to the tax rolls. The effect of TIF is to benefit all of the town's residents by enabling the financing of revitalized, productive properties that eventually become new, permanent sources of revenue.

### *Local Marketing District*

Local marketing districts are organized and created by resolution, ordinance, or contract adopted by a county, a city and county, or a municipality, or a combination of two or more of these local governments. The resolution, ordinance or contract establishing the district must be approved by the electors of the proposed district. Once organized, the local marketing district is a separate political subdivision and a public body politic and corporate of the state.

The local marketing district allows multi-jurisdictional marketing efforts to "promote the continued vitality of commercial business areas within local governments." The district can provide services for the organization, promotion, marketing, and management of public events within the district, to provide activities in support of business recruitment, management, and development; and to provide services coordinating tourism promotion activities. The revenue source for the district is a "marketing and promotion tax" which can be used to provide specified services; the revenue may not be used for any capital expenditures, with the exception of tourist information centers.

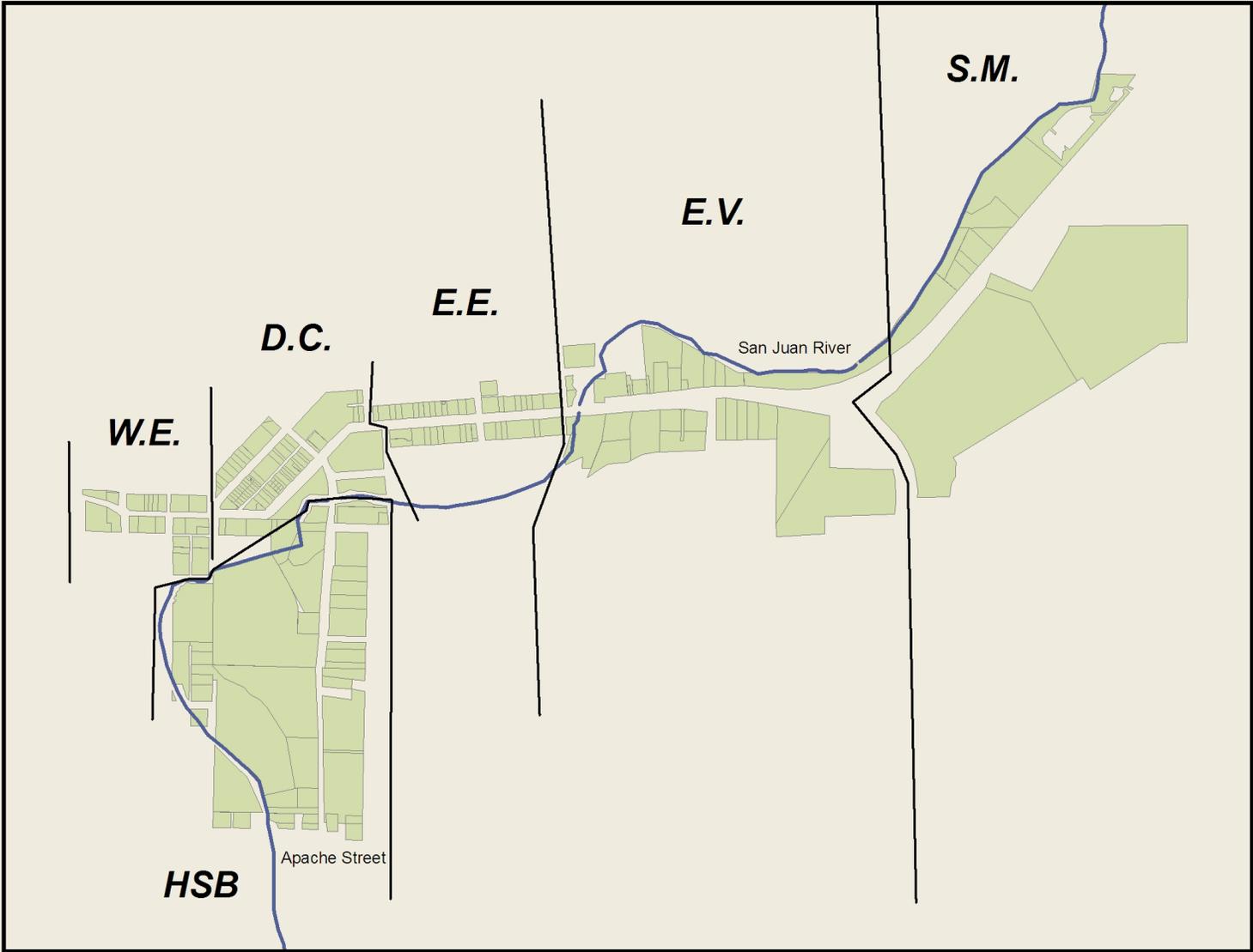
### *District Boundaries*

Determining the definition of district boundaries will require additional research and a series of “sub-area” meetings to educate the owners as to the potential costs/benefits of inclusion in a district. Factors that should be taken into consideration are the potential revenues that would accrue from a TIF or mill levy on those properties that could be included in the district. Those properties that are currently undeveloped (i.e., Sawmill, Hot Springs Boulevard) represent considerable “upside” for TIF revenues given the low base valuation of the assessed property relative to its potential. Based on the survey results, responses from *all* areas of downtown were positive and receptive to district formation. A clear strategy for educating the population and development of a tactical approach to gaining voter approval are essential. One of the more common pitfalls to district approval efforts is enabling opponents to control the public debate. Anticipating the arguments of the opposition must be part of an overall political strategy and campaign.

### *Implementation Strategy*

If Town Council were to decide to move forward with pursuing formation of a special district, the following recommendations and timeline are offered:

- Council should appoint a Steering Committee comprised of business and landowners from within the five districts;
- Members of the Steering Committee must be committed to the concept, with the primary impetus for formation of a district coming from the private sector;
- Alliances should be formed with pre-existing organizations to assist in sponsoring the effort (e.g., Chamber, TTC, AEDA, etc.);
- The Steering Committee should obtain legal counsel to further explore the details of the various entities (DDA, URA, BID, etc.);
- Boundaries of the district should be determined through additional outreach and meetings with property/business owners within each sub-area.
- A clear political strategy and plan should be one of outcomes of the Steering Committee;
- Participating in the Steering Committee by a member of Town Council and/or Planning Commission in addition to Town staff would be helpful to demonstrate public support for the effort.



The Town of Pagosa Springs is exploring opportunities to enhance and revitalize our downtown. One of the initiatives being considered is establishing a "special district" that could have the taxing authority to finance projects such as a parking structure as well as dedicated downtown marketing and promotional efforts. As part of this feasibility study, the Town would like your input as downtown business and property owners; your responses are anonymous and will remain confidential. Please return to the Town (using the enclosed envelope or drop off at Town Hall) no later than **Tuesday, January 9<sup>th</sup>**. If you own multiple properties or businesses, please complete just one survey. Thank you for your participation.

Mark Garcia, Town Manager

## **Downtown Business and Property Owner Survey**

1. Do you own **land** and/or a **business** located in downtown Pagosa Springs? **(CHECK ONE ONLY)**
  - 1)  I own land in downtown Pagosa Springs **(GO TO Q. 2)**
  - 2)  I own a business(es) located in downtown Pagosa Springs **(GO TO Q. 5)**
  - 3)  I own **both** a business(es) and property(s) in downtown Pagosa Springs **(COMPLETE NEXT TWO SECTIONS)**

### **DOWNTOWN LANDOWNERS ONLY**

2. How is your property zoned? **(CHECK ONE ONLY)**
  - 1)  Residential only
  - 2)  Commercial/office only
  - 3)  Both residential and commercial/office
3. (IF COMMERCIAL/OFFICE) How is your property predominately being used? And total **square footage of improved properties?** And **acreage of unimproved land?**

<b>USE (check all that apply)</b>	<b>Total s.f.</b>	<b>Acreage</b>
1) <input type="checkbox"/> Retail	_____	_____
2) <input type="checkbox"/> Restaurant	_____	_____
3) <input type="checkbox"/> Office/services	_____	_____
4) <input type="checkbox"/> Non-profit	_____	_____
5) <input type="checkbox"/> Vacant <u>improved</u> land	_____	_____
6) <input type="checkbox"/> Vacant <u>unimproved</u> land	n/a	_____
7) <input type="checkbox"/> Other	_____	_____

4. In what area(s) of downtown is your property(s) located? **(CHECK ALL THAT APPLY)**
  - 1)  East of 1<sup>st</sup> Street Bridge (River Center area/Sawmill)
  - 2)  East Village (Pagosa Street between 1<sup>st</sup> and 3<sup>rd</sup> Streets)
  - 3)  Downtown Core (Lewis and Pagosa Streets, between 3<sup>rd</sup> and 5<sup>th</sup> Streets)
  - 4)  West End (West of 5<sup>th</sup> Street)
  - 5)  Hot Springs Boulevard

### **DOWNTOWN BUSINESS OWNERS ONLY**

5. What type of business(es) do you own? **(CHECK ALL THAT APPLY)**
  - 1)  Retail
  - 2)  Restaurant/bar
  - 3)  Service (salon, real estate, accounting, etc.)
  - 4)  Non-profit
  - 5)  Other
6. How many years have you owned this business *(if more than one business, select the oldest)*?
  - 1)  < 1 year
  - 2)  1-2 years
  - 3)  3-5 years
  - 4)  6+ years
7. In what area of downtown is your business(es) located? **(CHECK ALL THAT APPLY)**
  - 1)  East of 1st Street Bridge (River Center area)
  - 2)  East Village (Pagosa Street between 1st and 3rd Streets)
  - 3)  Downtown Core (Lewis and Pagosa Streets, between 3rd and 5th Streets)
  - 4)  West End (West of 5th Street)
  - 5)  Hot Springs Boulevard

**PLEASE TURN PAGE OVER TO COMPLETE SURVEY**

**BUSINESS OWNERS CONTINUE**

8. In terms of gross revenues from your business, would you say that your revenues have increased, decreased, or remained the same over the last two years? Last five years? Last ten years? (PLACE "X" IN APPROPRIATE COLUMN FOR EACH QUESTION)

	Increased	Decreased	Remained the same	Was not in business then
1) Last 2 years	_____	_____	_____	_____
2) Last 5 years	_____	_____	_____	_____
3) Last 10 years	_____	_____	_____	_____

9. Do you anticipate that you will be expanding your business in the next two years?

- 1)  Yes
- 2)  No

10. In your opinion, which of the following would most help in improving the performance of your business? (CHECK UP TO THREE)

- 1)  Better marketing of downtown as a place to shop, dine, and play
- 2)  Improved organizational entity such as a business association
- 3)  Improving the appearance of downtown
- 4)  Parking
- 5)  Improved signage and wayfinding
- 6)  Technical assistance in running your business
- 7)  Increasing the "critical mass" downtown (more shops, restaurants)
- 8)  More special events and activities
- 9)  Other

**As most of you have certainly witnessed, Pagosa Springs is growing, changing quickly as development accelerates in many areas of the Town and County. These pressures have challenged the Town to examine current policies and its role in supporting unique and irreplaceable assets such as our downtown and local businesses. To preserve these assets, the Town needs your help as business and property owners in working together on the goal of creating a healthy and lively downtown. There are many forms that this public/private partnership could take, some of which involve volunteerism as well as financial collaboration. The Town has and will continue to invest in our downtown, but these efforts cannot work without your support. Please consider carefully the questions below and offer your input and suggestions on how the Town can work with you on this important effort.**

11. The Town is studying the feasibility of a special downtown district that would have the taxing authority to finance projects (e.g., parking structures, pedestrian trails, streetscape improvements, etc.) through the issuance of bonds, tax increment financing, and other public financing tools. This District could also have the responsibility of marketing and promoting downtown, organize downtown events, and so on. Establishment of this district would be subject to a **vote of both property and business owners**. How would you likely vote regarding establishing a special district that would focus on downtown revitalization?

- 1)  I would likely vote **for** establishing this District
- 2)  I would likely vote **against** establishing this District
- 3)  I don't know

12. (**PROPERTY OWNERS ONLY**) Some of these special districts can finance operations and public improvements through a property ("ad valorem") tax mill levy for the downtown property. Note that for public improvements, assessments are based on the degree of "benefit" to the property owner, and are assessed on an equitable and rational basis of determining benefit, such as distance from a parking structure, etc. In addition to funding through grants and direct appropriations from the Town, would you be willing to consider a modest increase in property tax to support public capital improvements to the downtown?

- 1)  Yes
- 2)  No

**COMMENTS:**

13. For a downtown district to be effective, paid staff in the form of an executive director would likely be necessary. Would you be willing to financially support (on an equitable and rational basis per property, such as square footage) the hiring of a paid director to administer a downtown revitalization program?

- 1)  Yes
- 2)  No

14. A special downtown district would be run by a volunteer Board of Directors, and would be required to hold frequent meetings open to the public. Would you be willing to serve in a volunteer capacity on either a Board of Directors or actively participate in meetings or sub-committees?

- 1)  Yes, I would be willing to volunteer
- 2)  No, I would not be willing to volunteer

15. In closing, in your opinion, overall what are the most important actions or policies that the Town could enact to help you as a downtown business or property owner? (Attach additional page, if necessary)

## SURVEY COMMENTS

Allow property owners to vote in town elections; value small businesses over big box!!

Look to use existing funds and organization (e.g., sales tax receipts/Chamber of Commerce) effectively without seeking to burden business with additional costs. We need more tourist visits through effective promotion of Pagosa Springs. Bring industry to town that will bring people to support our business. And not rely on the weather to bring people/customers to town. The tourists will be a bonus!!!

Treat business owners/property owners who don't live in town with more respect. Give them a voice.

Downtown property owners should be able to vote in city elections regardless of personal residence location!

Let's grow! With control!!

Assist me, as an owner of one of the Adobe condos, to get management to have rules/laws followed. Need better management of our building.

Commercial property tax is already outrageous. How many downtown revitalization plans have been formulated and ignored? I can think of several! What happened to that last plan (2-3 years ago)??? Why keep paying planners and then ignoring plans??

With old buildings, one can't increase rents according to overhead costs. My overhead can't compete with low rents.

I like the fact that I can have a say since I live in the County. I would not join the Chamber but support this instead (Chamber dues).

Develop riverfront in Town Center. Get parking away from river and town center (Pagosa Street). Make Town Center pedestrian friendly. Divert traffic around the Pagosa Street Town Center.

Should be subject to an overall strategic development plan. Need to know how the taxes would be used - no taxation without representation. Need to establish a downtown merchant's association.

Incentives for businesses and individuals to locate here.

Put a sales tax on the downtown area -- then let the business owners vote and run things. But if the tax is on the property then only the property owners should vote!! Anything else is "taxation without representation."

Stay out of historic building restrictions, encourage smart growth. Help businesses grow and produce more revenue for the town!!!!

Reduce taxes.

Slow down traffic - going east.

The business owners will be paying higher rents to cover additional taxes, so ask them if they want to pay more in rent.

Main Street parking meters? Proper density parking requirements for new structures and remodel of existing structures to comply with density. Impact fees for new construction.

Proper parking!

Have the Town Council and Planning Commission decisions be consistent with the goals and objectives of the Boards! Based on the Comprehensive Plan, etc. Rather than taxing the property owners and businesses, why not institute a town sales tax so everyone who shops in Town participates and supports

improvements -- spread the financial base. Don't just tax property or business owners.

Include the River Center in more "Downtown" functions

As noted above, if the Town could petition CDOT to lower the speed from 35 mph to 25 mph on East (Village) Pagosa St. and to more actively enhance the current speed limit would help

Parking, more special events

A district can be very valuable but caution is necessary to avoid excessive spending

Physically and politically, fix what is broken, clean what is dirty, enhance what is not useful or interesting, and invite others to experience the area with us.

Our revenues did not increase at the rate that we expected. No more shop the merchants and get a sticker! The business owners and property owners will not be the only ones to benefit from all these changes. Everybody will benefit. So why not spread the cost of these improvements to everyone? Include the opinions of neighboring property owners in making decisions concerning the aesthetics of a new building that could affect the life space of said owner. be willing to work with developers if they have a vision or a history that would enhance the future architectural integrity and the business climate in our downtown. Rethink all this on-site parking - it's overrated. Give David Brown the green light! Don't worry about the people will think -- be strong -- make decisions.

Bike trail like Summit County and other areas would draw great groups, singles and families. Better use of the fund already in the hands of the Chamber group and better planning of special events. This does not include the Sundowner which is a waste of money for a few regulars. River restoration needs to continue and red tape needs to go away to get job done and draw other groups.

Lower business taxes and more special events.

Don't do anything without the support of the downtown business and property owners - Jim Smith

Preserve old Pagosa - don't raise taxes. Invite developers to leave us alone.

Quit basing property taxes on the actions of an individual buyer who skewed property values.

Leave us alone

Shop locally campaign. I feel local residents do not support the businesses. I survive solely on tourism.

Have those who would like to develop or redevelop downtown pay the impact fees themselves. It isn't right to have taxes raised to support someone else's venture. Larger government and more committees don't create progress!

