Government Affairs Update
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Larimer County
Loveland
Special Election Set for April: Residents of Ward 3 will select a councilor to replace Hugh McKean at a special election set for April 1, 2017. While that date seems a long way off, City Clerk Terry Andrews told the City Council it takes time to set up the election and adhere to all the legal requirements required by the City Charter. Already rumors are swirling about who may run.

The special election is significant, even though it will be decided solely by voters in Ward III. Currently, the Council has four liberal members (Gutierrez, Ball, Johnson and Shaffer) and four conservatives (Clark, Krenning, McKean and Overcash). Mayor pro tem John Fogle is the swing vote. Filling McKean's seat will set the majority until the next City Council election in November 2017.

Lifestyle Center to Change the Face of Loveland: The City Council voted 8-0 (with Joan Shaffer absent) to approve an $258 million incentive agreement for developer Martin Lind's The Brands project. The Brands is a 200-acre high-end, mixed use lifestyle center on both sides of I-25 and Crossroads Boulevard just south of Embassy Suites. The development, as currently proposed, would include a mixed-use retail center, IMAX Theater, multi-family apartment development, restaurants, commercial office spaces and a full-service hotel.

The incentives apply to the retail elements of the project and are performance based. The project will break ground in the 4th quarter of 2017 on the site located east of I- 25. The full build out is projected to occur over the next five years. Lind predicts the project will act as a catalyst for growth in the area and create 6,800 permanent jobs in the areas of retail, hospitality and general office and approximately 4,600 construction jobs.

New Development Code Procedures Move Forward: The City Council reviewed the second working draft of the recommended *Development Review Procedures* for the Unified Development Code (UDC) this week. The proposed procedures are Task 2 of the overall work plan that includes four subsequent tasks: Infill and Corridor Development Standards; New Residential Districts; Development Standards; and General Modernization.

The most significant procedural changes proposed include a sketch subdivision plat. This application would give applicants the option of submitting a conceptual plat for initial review and approval instead of the current process which requires a surveyed plat and detailed public improvement construction plans. There is also an option to allow the submission of a *Sketch Site Development Plan* prior to the applicant being required to submit a fully detailed *Site Development Plan* with engineered public improvement construction plans.

The new procedures include a variety of other recommendations which will save up-front costs for the developer and streamline the whole process. Staff's intent is to continue working on other components of the new development code and adopt it in entirety in late 2017.

Foundry Agreement Finalized: By a 7-1 vote with Troy Krenning dissenting and Joan Shaffer absent), the City Council approved a Disposition and Redevelopment Agreement (DRA) with Brinkman Partners for the development of the Foundry Project in Downtown Loveland. The agreement is the result of nine months of negotiation between the City and the Brinkman Partners with input and participation from the Loveland Downtown Partnership (LDP).

The project will a five screen, 625 seat movie theater, a hotel, 155 residential units, and roughly 15,000 square feet of new retail. The project will also include a 460-space parking structure and large public plaza. Under the terms of the agreement, the City will invest $17.6 million in public improvements including the parking structure and provide an additional $2.2 million over ten years as an incentive for the movie theater.

The City has appropriated $3 million for the project. In addition, $17.1 million will be lease financed with capitalized interest to limit the City's General Fund Contribution in the first few years. The Urban Renewal Authority and the Metro District will contribute to the payment of the lease transaction. Per the agreement, Brinkman will pay for the $13.6 million parking structure. The City will own the parking facility and the land below it upon completion.

Note: Councilman Krenning voted against the project because he felt it was an "end-around TABOR" related to the failed DDA vote in November. However, the DDA was not designed to pay for the garage. This project will transform the downtown area and as such will provide benefits to the entire community, not just property owners within the DDA boundaries.

REGION

Business Coalition Continues Transportation Lobbying Effort: Have you seen the new climbing lane on southbound I-25 near Berthoud? Sometime next year CDOT will begin work on the $237 million Phase One project, adding a new managed lane in each direction from Fort Collins to south of Loveland. These are tangible results of Fix North I-25's advocacy efforts to date.

But we're not done. Our goal is to add an additional lane all the way to Highway 66. In the few years since we began our work the cost of this project has grown from approximately $98 million to a whopping $1.7 billion.

During the upcoming legislative session, our agenda is to successfully introduce a $350 million bonding measure, secure general fund dollars as well as another new revenue source. This is a heavy lift because Republicans don't like the idea of a new revenue source (possibly a sales tax) and Democrats would prefer that any general fund revenues available go to education.

Bipartisan Effort Results in More Transportation Funding: Colorado's congressional delegation pulled off a major victory when they convinced their colleagues to approve a $1 billion continuing resolution to complete Colorado's disaster relief funding. Of this, $252 million will complete the redesign of US 34 through the Big Thompson Canyon and other flood recovery projects. CDOT Director Shailen Bhatt noted that the federal gas tax revenue formula normally provides roughly $500 million per year to Colorado, illustrating the significance of this accomplishment.

NoCo Housing Now Construction Defects Forum: NoCo Housing Now, the housing affordability advocacy group created by FCBR, held a forum on November 14 to discuss construction defects reform with members of the Colorado General Assembly. Although all legislators from Larimer and Weld Counties were invited, only three attended: Representatives Perry Buck (Windsor/Larimer County) and JoAnn Ginal (Fort Collins) and Senator John Kefalas (Fort Collins).

NoCo Housing Now had selected construction defects reform as one of its top issues and the forum was intended to educate legislators on the need for reform as well as answer questions.

Most of the audience was made up of REALTORS®, builders and NoCo Housing Now members who support reform. Although not invited, members of a group called Build Our Homes Right (BOHR), also attended. BOHR is a group that advocates for homeowner rights and opposes construction defects reform. http://www.buildourhomesright.com Unfortunately, one of its members made statements that are not factual, saying for example, that the intent of reform is to deny home owners the right to sue for damages, which is entirely untrue.

NoCo Housing Now plans to advocate for construction defects reform during the upcoming legislative session and will continue to educate the Northern Colorado delegation regarding the need for reform and various avenues for addressing it.

COLORADO ASSOCIATION OF REALTORS®

Sunset Report Recommends Continued Regulation of Brokers: Recently CAR's Legislative Policy Committee reviewed recommendations included in the 2016 Sunset Review for real estate brokers and subdivision developers. The report was submitted to the legislature, which is responsible for introducing related legislation in the 2017 session.

As expected the Department of Regulatory Agencies recommends the continued regulation of real estate brokers for another 10 years. This is good news. However, some of the other recommendations could be cause for concern. For example, the second recommendation suggests changing language in statute that seems semantic but could have big implications.

Section 12-61-803(4) of Colorado Revised Statutes currently reads, "A broker licensed pursuant to Part 1 of this article, whether acting as a single agent or transaction-broker, may complete standard forms including those promulgated by the Colorado real estate commission and may advise the parties as to effects thereof …" The recommendation would revise this section to read "A broker licensed pursuant to Part 1 of this article, whether acting as a single agent or transaction-broker, may complete forms promulgated by the Colorado real estate commission and may advise the parties as to effects thereof…" The intent of the recommendation is eliminate the use of nonstandard forms, but CAR Attorney Scott Peterson believes it could lead to a bigger role for attorneys in real estate transactions.

Some other notable recommendations a property manager endorsement for brokers who lease and manage rental properties, increasing managing broker education requirements and creating a more efficient licensing system by using one date -- December 31—for license expirations. CAR is reviewing the report closely and will be prepared to argue its positions when a bill is introduced in response to the report in late January or early February.

STATE

Initiative Would Cap Front Range Growth: A Golden man's attempt to cap new growth along the Front Range is one example of why Amendment 71, which makes it harder to change the constitution, is a good idea. Daniel Hayes, who authored a similar measure in Golden years ago, has submitted an initiative for the 2018 ballot. His proposed constitutional amendment would, limit the number of new residences in the seven-county Denver metro area and in El Paso, Larimer and Weld counties to no more than one percent growth per year.

Hayes argues there's not enough money for transportation, schools and other important programs. He believes controlling growth is the best way to ensure there is money for basic state services, saying "Excessive growth will bankrupt the state," according to the Denver Business Journal.

There is no doubt Colorado is growing. U.S. Census Bureau statistics indicate our state's population grew 8.5 percent between 2010 and 2015. However, capping new homes is not the answer to Colorado's budgetary issues. Even if such a measure passed, it would not ensure the state's general fund had money for key services like transportation which currently receives a pittance of Colorado revenues.

For example, Medicaid is rapidly becoming one of Colorado's biggest expenses. Our state expanded Medicaid under President Obama's Affordable Care Act. In 2012 Colorado's Medicaid spending was $4.7 billion; by 2015 it was $7.3 billion according to the Kaiser Family Foundation. The Governor's 2017-2018 suggested budget increases Medicaid spending, a total funds increase of $373.1 million (4.1 percent), and a General Fund increase of $142.7 million (5.4 percent). On the other hand, the budget cuts transportation spending by $100 million.

NATION

NAR Comments on Appraiser Qualifications: On October 28, 2016, NAR submitted a comment letter to the Appraiser Qualifications Board (AQB) in response to their second exposure draft concerning proposed changes to the AQB's *Real Property Appraiser Qualification Criteria*. NAR agreed with the AQB's proposed reductions in degree requirements for Licensed and Certified Residential appraisers and asked that prior work experience count toward the degree requirement for Certified General appraisers. While NAR agreed with the AQB's proposed removal of time limits on obtaining experience hours, NAR is concerned that reducing the hours requirement for all appraiser classifications could weaken the quality of new appraisers entering the field.

In the letter, NAR wrote, "While NAR is supportive of the AQB's proposed removal of time restraints on completing the experience requirements, our appraiser members have expressed concern with the reduction of required experience hours for each classification. Supervisory Appraisers agree that the most useful preparation for becoming an appraiser is the actual performance of an appraisal. There is no substitute for experience and by reducing the experience hours necessary for certification, the AQB would be jeopardizing the quality of incoming appraisers into the profession."

FHA Fund Improves: On November 15 the Federal Housing Administration (FHA) released its Annual Report to Congress and the FY2016 Actuarial Review of the Mutual Mortgage Insurance Fund Forward Loans. The review shows that the Fund's capital reserve ratio has reached 2.32 percent and has improved by $43.9 billion since FY 2012. This is the second year in a row that the Fund exceeded the statutory requirement to maintain at least a 2 percent capital ratio. For forward mortgages the ratio was a healthy 3.28 percent, showing steady growth. For HECMs the ratio was a negative 6.90 percent, reflecting the volatility that has accompanied the HECM portfolio for the past five years. Serious delinquency rates for the active portfolio are at a ten-year low.

2017 NAR President William E. Brown issued the following statement on behalf of NAR: "FHA's actuarial report shows that the fund has indisputably found its footing," said NAR President William E. Brown, a REALTOR® from Alamo, California and founder of Investment Properties. "That's good news for taxpayers, and a reflection of FHA's sound stewardship. It's clear from this report that FHA can continue taking responsible steps to manage their risk even as they take action to make homeownership more affordable for lower- and middle-income buyers."