COLORADO COUNTIES, INC.
Educate · Advocate · Empower

Special District Association of Colorado

Please SUPPORT HB15-1348
Urban Redevelopment Fairness Act
(Rep. Hullinghorst & Lawrence, Sen. Balmer and Heath)

PROBLEM:
Cities use county, school district, and special district property taxes for city redevelopment projects without their permission. In 2012, cities reallocated about $160 million in this fashion, $80 million of which is attributable to school taxes.

SOLUTION:
Grant cities, counties, school districts and special districts the ability to negotiate how much they can invest into a development project. In the absence of a locally negotiated agreement, cities will be required to invest an equal proportion of their ***sales taxes*** to a project as a condition of diverting the ***property taxes*** levied by their fellow local governments.

****

Background
An urban renewal authority is an extraordinarily powerful tool that cities have to revitalize city centers. In order to build new store fronts and housing in blighted areas, cities divert property taxes that would have been collected by counties, schools and special districts for up to 25 years to help pay off the bonds needed to finance the development. This is known as tax increment financing (TIF) because the development is financed out of the incremental property tax increase that is added to the pre-redevelopment tax base.

What is the problem?
Cities divert the property taxes levied by counties, schools, junior colleges and special districts without their say and with no obligation to make a similar commitment of their primary operating revenues - sales taxes (CRS 31-25-107 (9)(a)).

The current law is untenable for non-municipal local governments who bear the burden of levying the taxes and justifying their mill levies to voters but have no real power to object to the use of their taxing power for municipal urban renewal purposes.

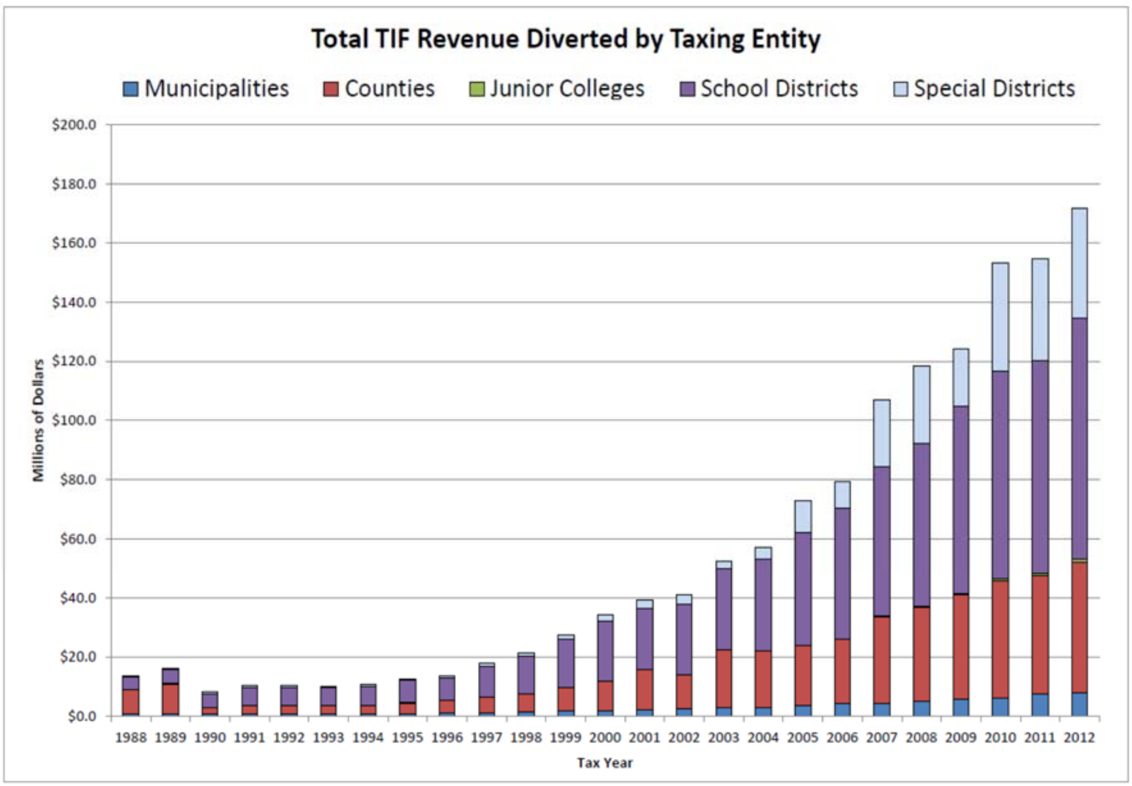
The graph below illustrates the amount of property tax dollars that have been diverted to urban renewal authorities for the last 24 years. In 2012, municipalities required the state to spend almost $40 million from the state general fund in additional backfill for schools in order to finance municipal urban renewal projects. (Voter approved school mill levy overrides and levies tied to school district capital construction are not backfilled by the state.) Another $80 million was also diverted from counties and special districts (ambulance, fire, water and sanitation, urban flood and drainage, etc.) in 2012.

How does HB15-1348 address this inequity?
HB 1348 rebalances the urban renewal process in a way that makes local government communication and cooperation more desirable than unilateral decision making. By default, it allows fellow local governments to negotiate, on equal footing, a locally agreed upon financing arrangement. Absent a local negotiation, it ensures broad participation of all affected local governments, including municipalities, in the financing of municipal redevelopment projects. A city's investment of their sales tax increment could bring millions more in revenue to

these projects and creates an equal investment footing for all affected local governments. By putting municipal operating revenues on the table, HB 1348 creates incentive for cities acting through their urban renewal authorities to be good stewards of public money and restores some accountability for the expenditure of taxes levied by others.

HB 1348 requires representation for counties, special districts and schools on an urban renewal board and thus ensures that other entities have an opportunity to be aware of urban renewal plans that might affect them early in the process.

Why can't the cities and other local governments just work this out?
The overwhelming inequity that exists in the current law makes it challenging for counties, special districts or schools to offer anything that would provide municipalities incentive to compromise on the fiscal issues. On multiple occasions, counties and special districts have asked cities to address the fiscal inequities of the current urban renewal statutes. HB 1348 provides the statutory mechanism for working the fiscal issues out <u>locally</u>.



Updated by Larimer County Budget Office 8/21/13 Data provided by Colorado Division of Property Taxation Page 1 of 2

.

CCI respectfully urges you to vote YES on HB15-1348

Gini Pingenot (720.255.8941) or Bill Clayton (303.884.7618)
Michael Valdez (303.887.1295) or Evan Goulding (720.244.1560)
Jane Urshel (303.877.9398)