Please SUPPORT HB14-1375
Urban Redevelopment Fairness Act

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:

Require cities 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.

HB14-1375 requires cities to fiscally participate in their own urban renewal projects on the same basis as counties, schools, and special districts. It preserves a municipality's ability to:

- Determine the scope of urban renewal projects.
- Use a portion of other entities' property taxes.
- Negotiate alternative financing arrangements with other local governments.

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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 own operating revenues - sales taxes (CRS 31-25-107 (9)(a)).

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.

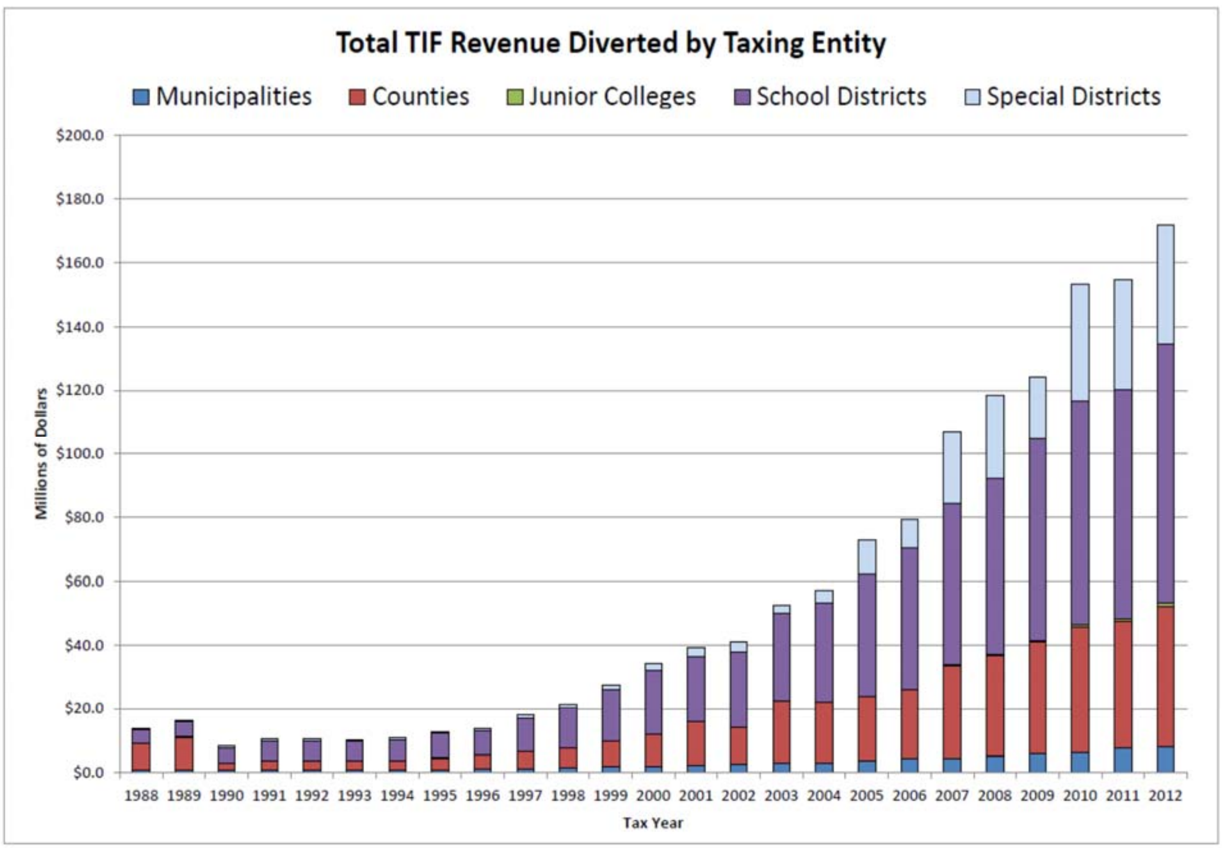
How does HB14-1375 address this inequity?

HB 1375 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 1375 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 1375 requires representation for counties 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 counties just work this out?
The overwhelming inequity that exists in the current law makes it challenging for counties, schools or special districts to offer anything that would provide municipalities incentive to compromise on the fiscal issues. In the fall of 2013, CCI invited CML on multiple occasions to participate in a conversation about the fiscal inequities of the current urban renewal statutes. Unfortunately, CML declined to attend after attending the first meeting.

HB 1375 provides a framework for cities and counties to work it 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 HB 1375

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