

HB 14-1375 CCI position paper response points

The CCI position paper on HB 14-1375 begins with the statement that cities use county and district property taxes without their permission.

This statement distorts the premise of tax increment financing. The property tax increment is directly allocated to the urban renewal authority because the increment is generated by the urban renewal project. County and district money is not taken - it is the project's money for the first 25 years. Without the project, there would be no increment.

The CCI position paper implies that municipal revenues invested in the project are not equal to the revenue "lost" to the other taxing entities. Cities have no obligation to commit their own operating revenues.

This is a simplistic understanding of urban renewal projects. Committing the municipal sales tax increment to the TIF does not somehow make the investment in the project equal.

- County and district investment in the project is zero. But their benefit grows.
- Other taxing entities receive the property tax revenue they have received in the past plus increases due to reassessments. They also benefit from the increased values of neighboring properties. Counties collect increased county sales tax.
- At the conclusion of the project - all property taxing entities receive the windfall created by a successful project.
- Cities directly support urban renewal projects in a number of ways beyond sales tax including the municipal property tax, use tax, the imposition of public improvement fees, and utility incentives.
- Nearly all the government services provided to the project area are municipal services.
- Many municipalities commit their sales tax increment to the project TIF, others don't, and some are municipal sales tax only. These decisions result from the complex negotiations that result in a project financing package. Every project is different in its financing needs and municipal service requirements.

The CCI position paper claims urban renewal projects in 2012 "diverted" \$40 million in school district revenue that was back-filled by the state.

Most urban renewal projects are retail projects. Even if we assume \$40 million in school district backfill required from the state is a real number - the state general fund comes out ahead due to the amount of new state sales tax generated by these projects. Lakewood has generated figures for its Belmar project. Before the Belmar project, the failing retail center it replaced generated \$300,000 in state sales tax in 2003. Following completion of Belmar, the state collected

\$4,600,000 in sales tax in 2012. Less the estimated \$2,000,000 in school backfill, the net gain to the state general fund was \$2,300,000. Urban renewal is not only the anecdote to blight, but it is an economic development stimulus.

The CCI position papers claims the Colorado Municipal League will not talk to CCI about urban renewal issues.

CML and CCI have a close working relationship. Last summer CCI took a new tack on the urban renewal issue by promoting a position that would have automatically taken a percentage of the tax increment and given it to the county or alternatively given veto power over a project to a county. Either of these alternatives would have effectively ended the use of urban renewal. With CCI sticking to this approach there was nothing to negotiate.

I'll end with this paragraph from the City of Rifle letter to the House Finance Committee:

“The proposed legislation supposes that Tax Increment Financing steals other jurisdictions tax revenues during the life of a URA district. It fails to acknowledge that fire districts, school districts, and counties have no statutory obligation to reinvest in infrastructure necessary to eradicate blight and entice the private sector to reinvest in downtowns and other established urban centers. If the legislature moves forward with this approach, it should be balanced with additional legislation mandating fire districts set aside dollars for waterline maintenance, fire hydrant replacement, and other infrastructure improvements necessary to ensure adequate fire protection. Counties should be obligated to acknowledge they have a responsibility for their municipal constituents, and a percentage of property tax and sales collected - sales tax largely collected from urban centers - should be returned to the local governments for infrastructure maintenance and replacement. Additionally, school districts should be charged a street impact fee for trips made to and from schools. Obviously, this isn't practical, but it points out the messiness of the state's tax revenue structure and hardships municipalities are called upon to mitigate.”