



## URBAN RENEWAL IN COLORADO

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Urban renewal provides a set of tools available to local governments to combat slum and blight conditions. This *issue brief* highlights urban renewal laws and financing in Colorado.

### Urban Renewal

Urban renewal laws allow municipal governments to engage in urban renewal projects as a means to improve blighted areas. Slum and blight conditions include:

- deteriorating structures and deteriorating site improvements;
- faulty street or lot layout;
- unsanitary or unsafe conditions;
- inadequate public facilities;
- code violations; and
- other distresses concerning property pursuant to Section 31-25-103 (2), C.R.S.

Through planning and public improvements, urban renewal projects encourage the development of housing, mixed use, office parks, and industrial or retail land use to revitalize areas. Urban renewal projects can take place in any municipality. There are no minimum or maximum cost requirements. Urban renewal projects in Colorado include: the Broadway Marketplace in Denver; Belmar in Lakewood; Gold Hill Mesa in Colorado Springs; Promenade Construction and Burgess Creek daylighting in Steamboat Springs; the city of Sterling's downtown relocation grants; and the Pueblo Convention Center.

### Urban Renewal Authorities

When slum and blight conditions affect specific areas of a given city or town, Colorado's urban renewal laws authorize municipal governments to create urban renewal authorities (URA). A URA is responsible for improving conditions in an affected urban renewal area. Acting as an agent of the municipality, the URA conceives and implements urban renewal projects. The URA has a board of 13 commissioners that acts as the decision-making body of the URA. URAs have the power to:

- sue and be sued;
- negotiate, enter into contracts, and take other actions required for urban renewal;
- develop appropriate regulations for buildings and land use;
- survey and study blighted areas;
- borrow and invest funds;
- condemn property;
- acquire, rent and lease, manage, and dispose of property; and
- compensate individuals and businesses for relocation impacts.

Colorado law provides requirements for URA finances, eminent domain, real estate sales, and other urban renewal activities. Also, Colorado law offers an expedited process for urban renewal projects in municipalities that are part of an area subject to a disaster declaration, such as a fire or flood.

**Eminent domain.** URAs may use eminent domain to acquire property in blighted areas. Property owners must be given the chance to participate, and/or URAs must offer a fair and equitable price for the owner's property. For URAs to utilize eminent domain, five of the legal factors of a blighted area must be present. Current law contains guidance for URAs considering using the eminent domain process.

## Financing of Urban Renewal Projects

Urban renewal projects can be funded with a variety of revenue sources. Revenue sources may include an allocation from a municipal budget, rental income or sales of property owned by a URA, gifts and grants, or other investments. The most common form of urban renewal financing, however, involves tax increment financing (TIF).

TIF is a tool used to generate capital by dedicating growth in property tax or municipal sales tax revenue to the repayment of bonds or for other specific purposes. The tax increment is identified as the difference between the TIF district's base year revenue and the amount of additional tax collections after the TIF is established. The revenue that is attributed to the growing tax base is the incremental revenue used by URAs for debt service on the bonds that are used to finance the redevelopment project.

Tax increments are not new taxes, and applicable tax rates are not affected. Base year tax revenue that goes to other local governments remains the same until the the redevelopment bonds are paid off. Then the base year and the incremental revenue are used to pay for local government services. In an urban renewal area, the incremental property tax revenue is diverted from counties, junior colleges, school districts, special districts, and other revenue streams of municipalities. The use of TIF in urban renewal may require the state to "backfill" local school district budgets for the lost property tax revenue or to increase the negative factor.

## Urban Renewal Laws in Colorado

Laws authorizing urban renewal were first enacted by the Colorado General Assembly in 1958. Urban renewal in Colorado was expanded after legislation authorized urban renewal authorities to generate revenue with TIF in 1975. In subsequent years, additional legislation addressed the limited use of urban renewal in agricultural areas and due process in condemnation cases, among other issues.

**2015 law changes.** In 2015, legislation modified urban renewal laws to address issues related to the governance of urban renewal authorities, the procedures municipalities must follow prior to the adoption or modification of TIF urban renewal plans, and the distribution of excess funds at the conclusion of an urban renewal project.

The legislation required additional URA board members from counties, school districts, and special districts affected by the urban renewal areas. Additionally, the legislation required municipalities to negotiate the use of increment revenues with affected local taxing entities, such as counties, prior to approving or modifying a TIF financed urban renewal plan. If an agreement cannot be reached, the URA and taxing entities enter mediation. Finally, the legislation required that any excess revenue collected by URAs should be deposited in a special fund that must be repaid to local taxing authorities *pro rata*.

**2016 law changes.** In 2016, the General Assembly passed legislation that made technical adjustments and clarifications to the 2015 urban renewal changes. Importantly, the legislation clarified that prior legislation was not intended to impair, jeopardize, or put at risk URA obligations that remained outstanding as of December 2015. The legislation also replaced language to use more common terms for describing urban renewal boards and taxing authorities and specified the conditions for the mediation process between URAs and other taxing entities.