



**Colorado
Legislative
Council
Staff**

SB17-285

**FINAL
FISCAL NOTE**

FISCAL IMPACT: State Local Statutory Public Entity Conditional No Fiscal Impact

Drafting Number: LLS 17-0447

Date: September 7, 2017

Prime Sponsor(s): Sen. Grantham
Rep. Becker K.; Lawrence

Bill Status: Postponed Indefinitely
Fiscal Analyst: Josh Abram (303-866-3561)

BILL TOPIC: DOWNTOWN DEVELOPMENT AUTHORITIES FAIRNESS ACT

| Fiscal Impact Summary | FY 2017-2018 | FY 2018-2019 |
|-------------------------------|--------------------|--------------|
| State Revenue | | |
| State Expenditures | Workload decrease. | |
| Appropriation Required: None. | | |
| Future Year Impacts: None. | | |

NOTE: This bill was not enacted into law; therefore, the impacts identified in this analysis do not take effect.

Summary of Legislation

The bill makes several changes to statutes related to Downtown Development Authorities (DDA). The changes apply to all DDAs created on or after January 1, 2018.

If any development plan managed by a DDA includes the use of tax increment financing (TIF), the DDA's board of directors must include representatives from the counties, school districts, and special districts whose property taxes are subject to allocation under the DDA plan. The bill sets conditions for the selection, terms, and replacement of these additional, non-municipal board members of a DDA.

Before a DDA may implement a plan of development that includes the allocation of tax revenue from taxing entities other than the municipality, the DDA is required to notify the governing boards of the entities whose property tax increment will be allocated. The taxing entities, the DDA, and the municipality are then required to meet and attempt to negotiate an inter-governmental agreement (IGA) governing the sharing of incremental property tax revenue. If the parties are unable to negotiate an IGA within 120 days, the bill requires that the parties participate in mediation. The mediation must be conducted by a jointly agreed upon mediator, or if no agreement can be reached, by separate mediators selected by each taxing entity. Within 90 days the mediator(s) must issue findings of fact, and the municipality must either incorporate the findings into the DDA plan and the IGA, amend the plan to exclude the taxing entity's incremental revenue, or enter into new negotiations with the taxing entities. The bill prohibits any property tax increment from being credited to the DDA unless the municipality and DDA have satisfied the bill's negotiation and mediation requirements.

Under current law, when the purposes of a TIF have been fulfilled, e.g., after bonds have been retired, excess TIF revenue is directed to a special fund. The bill specifies that this excess revenue must be repaid proportionally to the local taxing authorities.

State Expenditures

The bill's mediation requirements may preclude resolution of disputes in district courts, thereby reducing workload for the Judicial Branch by a minimal amount. This reduction does not require a change in state appropriations.

Local Government Impact

The bill requires that local taxing entities within a downtown development authority area negotiate any TIF sharing agreements. The bill's negotiation and mediation requirements are procedural and do not necessarily change those allocations. Local taxing entities may receive more or less property tax revenue than they would otherwise be allocated under the TIF agreement and conversely some municipal, county, and special district authorities may realize more or less tax increment revenue, depending on agreements reached between the affected taxing entities.

The bill increases costs for any taxing entity in the DDA to engage mediators, if necessary, possibly reducing resources a DDA has available for development projects.

Effective Date

The bill was postponed indefinitely by the Senate Finance Committee on April 18, 2017.

State and Local Government Contacts

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| Counties | Judicial | Local Affairs |
| Municipalities | Special Districts | |