

What is a Conditions Survey (Blight Study) and why do one?

Tax Increment Financing (TIF) is a mechanism used by communities to fund eligible improvements within a designated area. TIF dollars can only be used within an urban renewal (redevelopment) area. An area may be designated as an urban renewal (or redevelopment) area after the following:

- Independent blight study or conditions survey has been prepared and presented first, to the municipality's Urban Renewal Authority (the Authority) or Board, and second, to its Council;
- Market analysis has been completed in order to determine the potential for future uses within the urban renewal area, and their potential timing;
- Urban renewal plan document and supporting financing plan (impact analysis) have been prepared;
- Stakeholders have been contacted and invited to comment on future uses and required improvements within the area; and
- Council accepts the findings of the conditions survey and adopts (by resolution) the urban renewal plan.

What is Tax Increment Financing (TIF)?

Tax Increment Financing (TIF) is a unique mechanism that enables an Urban Renewal Authority or board to use the net new tax revenues generated by projects within a designated urban renewal area to help finance future improvements. TIF is a new source of tax revenue, not an additional tax, that would not be available but for new investment.

When a redevelopment project is being planned, the Urban Renewal Authority or Board analyzes how much additional property and/or sales taxes may be generated once it is completed. That "tax increment" then can be used by the urban renewal entity either to finance the issuance of bonds or to reimburse developers for a portion of their project costs. In either case, the new tax revenue that is created must be used for improvements that have a public benefit and that support the redevelopment effort, such as site clearance, streets, utilities, parks, the removal of hazardous materials or conditions, or site acquisition. Source: Denver Urban Renewal Authority

Can TIF always be used to finance a project?

No, TIF is used only when a “blighted” area or property cannot be redeveloped without public investment and when it meets a public objective, and then only to fill the “gap” between the total project cost and the level of private financing the project can support. In the case of developer reimbursement, the amount of money reimbursed depends on the success of the project, with the developer being reimbursed only if the project creates additional tax revenue for the community.

If an area is described as “blighted” what does that mean?

The legal term “blight” describes a wide array of urban problems, which can range from physical deterioration of buildings and the environment, to health, social and economic problems in a particular area. According to Colorado State Statute (CRS 31-25-103) (2), a “blighted area” is defined as follows: *“Blighted area” means an area that, in its present condition and use and, by reason of the presence of at least four of the following factors, substantially impairs or arrests the sound growth of the municipality, retards the provision of housing accommodations, or constitutes an economic or social liability, and is a menace to the public health, safety, morals, or welfare; ...*

- (a) *Slum, deteriorated, or deteriorating structures;*
- (b) *Predominance of defective or inadequate street layout;*
- (c) *Faulty lot layout in relation to size, adequacy, accessibility, or usefulness;*
- (d) *Unsanitary or unsafe conditions;*
- (e) *Deterioration of site or other improvements;*
- (f) *Unusual topography or inadequate public improvements or utilities;*
- (g) *Defective or unusual conditions of title rendering the title non-marketable;*
- (h) *The existence of conditions that endanger life or property by fire or other causes;*
- (i) *Buildings that are unsafe or unhealthy for persons to live or work in because of building code violations, dilapidation, deterioration, defective design, physical construction, or faulty or inadequate facilities;*
- (j) *Environmental contamination of buildings or property;*
- (k.5) *The existence of health, safety, or welfare factors requiring high levels of municipal services or substantial physical underutilization or vacancy of sites, buildings, or other improvements;*
- (l) *If there is no objection of such property owner or owners and the tenant or tenants of such owner or owners, if and, to the inclusion of such property in an urban renewal area, “blighted area” also means an area that, in its present condition and use and, by reason of the presence of any one of the factors specified in paragraphs (a) to (k.5) of this subsection (2), substantially impairs or arrests the sound growth of the municipality, retards the provision of housing accommodations, or constitutes an economic or social liability, and is a menace to the public health, safety, morals or welfare. For purposes of this paragraph*

(1), the fact that an owner of an interest in such property does not object to the inclusion of such property in the urban renewal area does not mean that the owner has waived any rights of such owner in connection with laws governing condemnation.

Source: Colorado Revised Statute 31-25-103(2).

Why would I, a property/business owner, want to be included in an urban renewal area?

By initiating the process of designating an area for urban renewal, a community is sending the message that they are interested in assisting with its revitalization. Through the planning process, market opportunities are identified and the private sector is engaged in understanding these opportunities, as well as the tools which are available to assist with project implementation. Property owners and businesses benefit from both the public and private commitments and investment through association and proximity. (Also see “impacts to property values.”)

Does being in an urban renewal area affect my property values?

It can affect your property values, and more often than not, in a positive way. Frequently, when an urban renewal area is designated, property values increase. This happens because many times private individuals begin to purchase land (speculation) in anticipation of both future development and increased property values. It also happens because properties located within an urban renewal area are often perceived by the development community as valuable because of the availability of financial incentives which are not available outside the district.

How are the boundaries of an urban renewal area determined?

The Colorado Statute requires that the boundaries of the area be defined “as narrowly as possible. Conversely, the boundaries of the survey area can be defined more broadly in an effort to understand, comprehensively, the range of factors contributing to “blight.” Both areas may include some vacant and under-utilized parcels and should include areas either adjacent to or influenced by key qualifying parcels.

Does being in an urban renewal area mean my property will be condemned?

No. The ability to condemn property is a right of any municipality under eminent domain, regardless of whether or not it is in an urban renewal area. The use of condemnation by government is limited to instances deemed necessary for the “public good” and usually as a last resort. Property for an urban renewal project is most often acquired by private interests in arms-length transactions at fair market value. Most municipalities are extremely reluctant to use their condemnation powers for many reasons, not the least of which is the lengthy acquisition and negotiation process.

How will I be compensated if my property is taken in a condemnation action?

Colorado State Statutes specifically describe the method by which property owners are compensated under a condemnation action. Generally, compensation is provided for real property and business moving and relocation expenses.

Who decides what the final urban renewal plan will look like?

Input from “stakeholders” who participate in the public process to define a vision for the area is incorporated into the urban renewal plan. The plan is then presented to the urban renewal entity for review, discussion and approval, and ultimately the plan document is presented to Council for adoption.

If my property is in an urban renewal area, what flexibility do I have to improve it?

The same municipal regulations which applied prior to the urban renewal designation, apply after, e.g. zoning, special districts (if any), etc. The presence of urban renewal does not impose additional restrictions on property use. Rather, it makes available additional tools (incentives) to assist with implementation projects which are consistent with the urban renewal plan.

What is the process for establishing an urban renewal area and advancing an urban renewal plan? Generally --

1 Determine Survey Area Boundaries; **2** Verify Presence and Location of Blighting Conditions; **3** Prepare Conditions Survey *; **4** Present Conditions Survey Findings to Urban Renewal Entity and Council for Acceptance; **5** Identify Market Opportunities Within Area and Quantify Timing; **6** Together with Stakeholders – Define Future Role of Area in Community; **7** Prepare Urban Renewal Plan; **8** Complete Financial Analysis (Tax Increment Finance – TIF); **9** Complete Impact Analysis (as per legislation) and Share With All Impacted Taxing Bodies; **10** Present Urban Renewal Plan to Urban Renewal Entity and Council for Adoption; **11** Issue Request for Projects; and, **12** Implement Plan.

* Based on conditions survey findings, modify boundaries for urban renewal area, if necessary

How will owning in a neighborhood “declared” blighted affect me as a home-owner?

Neighborhoods are not necessarily declared “blighted,” rather, “areas are determined to have conditions present such that it can be determined eligible for an urban renewal designation.” The “area” in its entirety may or may not include a neighborhood or neighborhoods. Having a home within an urban renewal area should not have a direct impact in terms of value – either positive or negative – depending on its relationship to potential reinvestment zones. Experience has proven that properties within or in the vicinity of potential reinvestment activity tend to increase in value upon designation as an urban renewal area as property owners begin to speculate on the likelihood of acquisition offers.

Will my property taxes go up?

There is no additional assessment to properties within an urban renewal area and no increase in the mill levy with formation of the district. Any increase in tax payments by property owners would be associated with an action other than creation of the urban renewal area, or an increase in the taxable value of property because of investments that are happening in the area.

Residents within an area that are senior citizens are further protected under the Homestead Exemption. Referendum A, the homestead exemption for senior citizens, passed on a state-wide vote in November of 2001. The amendment provides an actual value reduction (exemption), up to a maximum of \$100,000. This applies only to primary residences for citizens over the age of 65. Also, this actual value reduction is applicable only to a primary residence that has been owner-occupied for the 10 years immediately preceding the subject tax year. This homestead exemption for senior citizens began with 2002 property taxes that were payable on or after January 1, 2003.

What happens to low-income residents within urban renewal areas? Should they be concerned that they will be relocated out of their neighborhood?

Nothing has to happen to low-income residents within an urban renewal area. In fact many communities elect to require or encourage the inclusion of low- and moderate-income residential units in the area in an effort to maintain a greater level of diversity. Having said this, however, if new investment or reinvestment was proposed that could potentially dislocate existing residential units – there could be a range of outcomes. If the units are acquired by the Urban Renewal Authority, residents owning their homes would need to be compensated for their home, in addition to any relocation expenses. The sale of units by private residents to a private entity needs to occur through arms-length transactions. Compensation to property owners is generally equal to or in excess of fair market value and usually includes potential expenses including those related to relocation. Tenants of residential products which are sold in an urban renewal area would need to work with the owner of their property on issues related to relocation (if necessary), unless, there is a federal program attached to the unit or resident (i.e., housing vouchers, etc.). Under this scenario, specific federal guidelines would need to be followed related to relocation of residents.

How long will it take to make the improvements the Urban Renewal Authority wants to see?

Whereas the Urban Renewal Authority can continue into perpetuity, the Tax Increment Financing District has a potential life of 25 years. The length of time necessary to make improvements in the area will depend on the severity of conditions contributing to “blight” and the urban renewal plan vision. The Authority will continually balance decisions related to the cost of improvements (and/or projects) and potential revenue these costs may leverage.

What can URA monies be used for? How can I tap into them as a landlord, business tenant, commercial property landowner, or private resident?

Qualifying expenses for TIF dollars are explained above. The method by which stakeholders in an area apply for money will ultimately be determined by the Urban Renewal Authority. Generally speaking, however, the Authority will either issue a Request-for-Proposal (RFP), asking stakeholders to bring forward projects or simply wait for them to surface with continued community education. Once projects are advanced to the Authority for consideration, they will be evaluated for consistency with the urban renewal plan and analyzed relative to their ability to qualify for funding.

What determines which area within an urban renewal you start with first?

As stated previously, the Urban Renewal Authority will continually balance decisions related to the cost of improvements (and/or projects) and potential revenue these costs may leverage. The strategy for implementing the urban renewal plan, which will involve spending money to make improvements, participate in projects, and encourage investment and reinvestment will ultimately be defined by the Authority with input from stakeholders in the area. Factors they will need to consider include market timing, property owner interest, severity of “blighting” conditions, and other criteria.

When there is “blight” in public buildings, how do you address it?

Public buildings are always built within the required codes (building, fire safety, zoning, etc.) at the time they are constructed. If conditions arise post-construction that qualify as “blighting,” the decision to arrest these conditions lies with the Urban Renewal Authority. As explained above, the selection of which improvements to make and when will be based on criteria established by the authority with input from the stakeholders in the area.

How many conditions are needed to declare an area “blighted”?

As per the Statute, “‘blighted area’ means an area that, in its present condition and use and, by reason of the presence of at least four factors...” If the Urban Renewal Authority intends to use eminent domain for the acquisition of properties in the area, five conditions must be present. Note: Individual properties within the area do not need to have even one condition present. Rather, factors contributing to “blight” must be present somewhere within the area.

When does 120 days start?

The reference to 120 days is related to adoption of the urban renewal plan. Once the City Council of the municipality opens the public hearing, they have 120 days to either adopt, refuse adoption, or take no action related to adoption of the plan. If they either refuse to adopt the plan or take no action related to adoption, the Council may not consider creation of an urban renewal plan in the subject area for 24 months.

Can the “base” (value) go up or down?

Yes, the base can go up and down and the direction is largely tied to the elimination and introduction of improvements (buildings) in the urban renewal area over time. Generally speaking, if there is going to be a decline, it will happen early in the 25-year life of the TIF district. Assuming a gradual trend in investment and reinvestment, any losses in improvements will be off-set by value increases.

Do I have to disclose a “blight” designation on my property when I sell it?

No. A property is not found to be “blighted,” an area is found to have conditions present which contribute to, or perpetuate “blight”. The designation of “blight” in an area has a fairly short shelf-life – generally limited to the time it requires to prepare and adopt the urban renewal plan. Following adoption, the emphasis tends to be on the financial opportunity provided by the availability of Tax Increment Financing (TIF).

What are the powers and duties of Councils and Commissions in urban renewal?

City Council – cause urban renewal plans and amendments to be prepared, approved and implemented; acquire real property by eminent domain, if that is the will of Council; and enter into agreements with the urban renewal entity

Planning and Zoning Commission – review urban renewal plan for consistency with comprehensive plan; consider (and opine on) proposed projects within the area

Urban Renewal Authority – make recommendations to the governing body of municipality that created district; prepare conditions survey, urban renewal plan and financing plan for district and present to governing body for authorization; (by ordinance) powers relating to implementation of the project plan authorized by governing body; acquire blighted, deteriorated ... real property for preservation or restoration of historic sites; acquire, construct, reconstruct or install public works or improvements; enter into

agreements to implement plan including for – the acquisition of property, reimbursement to developer, sale of land, issuance of bonds, etc.; and, any power necessary and convenient to carry out implementation

What will the urban renewal plan do for me?

Being within an urban renewal area will: allow more flexibility in what owners can do with your property (e.g., residential in an area that is predominantly non-residential – market conditions permitting); allow taxes to be spent on improvements in a targeted area; identify capital improvements needed to accommodate future investment; potentially provide property redevelopment / expansion financial assistance; and, balance growth across community.

What won't the urban renewal plan do for me?

Being within an urban renewal area will not: prevent owners or tenants from continuing a business or land use; raise property tax mill levy or sales tax rate; force owners to improve their property (especially at a higher standard than outside the area); diminish the value of property; or prevent property owners from selling their property.

Source: Leland Consulting Group, 303.458.5800, www.lelandconsulting.com