

FAQ –URBAN RENEWAL

Q: WHAT IS THE PURPOSE OF URBAN RENEWAL?

The goal of urban renewal is to revitalize an area which requires additional intervention in order to remedy blight, restore economic vitality and improve safety. Understanding that redeveloping existing areas is much more expensive and difficult than new development, Colorado has empowered local authorities with certain tools, including tax increment financing, to offset costs and encourage investment by the private sector in urban renewal areas. Without urban renewal, developers lack incentive to tackle the challenges associated with infill redevelopment or environmentally complicated sites, and would instead have an incentive to continue to direct growth to the fringes of communities, where development is cheaper and easier, which would add to the problem of sprawl. All 50 states have some form of urban renewal law.

The principal goals of an urban renewal plan are to help provide important services to the area, attract private investment, utilize underdeveloped land, and leverage public investment to provide necessary public infrastructure to serve the subject area, all for the purpose of remedying and preventing blight. An urban renewal plan is also intended to promote uses for the primary benefit of the City and community at-large and encourage investment and reinvestment in the designated urban renewal area. These goals will be accomplished by affording maximum opportunity for the development and redevelopment of the subject area by private enterprise, particularly through the use of tax increment financing which is further explained below.

Q: WHAT IS THE BENEFIT OF BEING IN AN URBAN RENEWAL AREA AND ADOPTING AN URBAN RENEWAL PLAN?

By designating an area for urban renewal, the City would be sending the message to the public and the development community that it is interested in assisting with revitalization. If an urban renewal plan is approved, a policy and planning process would begin to identify market opportunities and engage the private sector in understanding these opportunities, as well as the tools which are available to assist with project implementation. Property owners and businesses then benefit from both the public and private commitments and investment through association and proximity.

Being within an urban renewal area will:

- Allow taxes to be spent on improvements in your neighborhood
- Identify and fund needed capital improvements
- Provide capital for property redevelopment / expansion financial assistance

Q: WHAT IS TAX INCREMENT FINANCING (TIF)?

Tax Increment Financing (TIF) is a tool that enables an urban renewal authority to capture the net new tax revenues generated by projects within an urban renewal area to help finance rehabilitation and redevelopment. The tax rate does not change, and no new taxes are authorized. Rather, TIF is the additional value created by new development as multiplied by the existing tax rates. The Urban Renewal Law allows the urban renewal authority, developer or property owner to borrow against this revenue stream up front in order to construct the project. TIF is a new source of tax revenue, not an additional tax, that would not be available but for the new investment.

If an urban renewal plan is approved and a development project is proposed, the urban renewal authority would analyze how much additional property and/or sales taxes could be generated if the proposed project is completed. That increase – the tax increment - can then be used to finance bonds or to reimburse the developer for a portion of their project costs. The tax increment must be used for improvements that have a public benefit and that support the redevelopment effort, such as demolition and site clearance, streets, sidewalks, drainage, sewer and water lines, parks, the removal of hazardous materials or conditions, or site acquisition.

Q: WHAT DOES AN AREA BEING DESIGNATED AS “BLIGHTED” MEAN?

Blight is the legal term given to a piece of property when four of the eleven criteria outlined in the Colorado statute are met. These factors range from deteriorated or dilapidated buildings, to flood damage, to title problems, and collectively must be considered to be a threat to the health, safety, peace or welfare of a community, in order for a finding of “blight” to be made. The 11 blight factors can be found at Colorado Revised Statute § 31-25-103(2).

The term “blight” is an archaic relic of the Colorado statute’s 1950’s origins. While few areas would probably be considered truly “blighted” by most people’s standards and understanding of the word today, if four of the eleven factors are met under the statute, the law considers the property to be “blighted.” Additionally, under the Colorado statute, a determination of blight is based upon an area “as a whole” and not an individual property basis. Thus, it is possible that a property could not have any of the blight factors present, but still be within the urban renewal area designated as blighted because factors are present on surrounding properties.

Q: IF MY PROPERTY IS IN THE URBAN RENEWAL AREA, WILL IT AFFECT MY PROPERTY VALUE?

When an urban renewal area is designated, property values frequently increase. This happens because private individuals may begin to purchase land (speculation) in anticipation of future development opportunities. It also happens because properties located within an urban renewal area are often perceived by the development community as more valuable because of the availability of financial incentives which are not available outside the area. No evidence exists that being within an urban renewal area diminishes the value of property.

Q: IF MY PROPERTY IS IN THE URBAN RENEWAL AREA, WILL IT IMPACT WHAT I CAN DO WITH MY PROPERTY?

No. The same City regulations which applied prior to the urban renewal designation, apply after. The presence of urban renewal does not impose any additional restrictions on property use or mean that a property owner must improve their property. Rather, it makes available additional tools to assist with and incentivize projects which are consistent with the urban renewal plan and desired by the City.

Q: IF MY PROPERTY IS IN THE URBAN RENEWAL AREA, DOES THAT MEAN IT WILL BE CONDEMNED?

No. Eminent domain is used only in rare and exceptional cases to make difficult projects work. Eminent domain (condemnation) may only be used to benefit the public and requires that the private property owner be justly compensated for their property, meaning that he or she must be paid fair market price for the property and compensated for relocation.

The ability to condemn property is a right of any municipality, regardless of whether or not it is in an urban renewal area. Property for an urban renewal project is most often acquired by private interests in arms-length transactions at fair market value. The City, like most municipalities, is extremely reluctant to use its condemnation powers for many reasons, not the least of which is the lengthy acquisition and negotiation process. Eminent domain is a tool of last resort and may be used only upon a demonstration that the project cannot proceed without the property in question.

Q: IF MY PROPERTY IS WITHIN THE URBAN RENEWAL AREA DESIGNATED AS “BLIGHTED,” DO I HAVE TO DISCLOSE THIS IF I SELL MY PROPERTY?

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” 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).

Q: IF MY PROPERTY IS IN THE URBAN RENEWAL AREA, WILL MY PROPERTY TAXES GO UP?

No. Urban renewal does not increase property taxes, or otherwise burden or impair the property of any property owners. There is no additional assessment to properties and no increase in the mill levy. Any increase in tax payments by property owners would be because of an increase in the assessed taxable value of the property because of general improvements and investments that are happening in the area.

Q: CAN I TAKE ADVANTAGE OF URBAN RENEWAL AUTHORITY FUNDS?

Maybe. Tax increment funds must be used for improvements that have a public benefit and that support the redevelopment effort, such as demolition and site clearance, streets, sidewalks, drainage, sewer and water lines, parks, the removal of hazardous materials or conditions, or site acquisition. The method by which property owners in the proposed urban renewal area apply for money will ultimately be determined by the urban renewal authority. Some possible methods include grant programs, revolving loan funds, or a public request for proposal (“RFP”) for a particular area or property.

Q: DO OTHER TOWNS AND CITIES IN COLORADO USE URBAN RENEWAL?

Currently, 42 of Colorado’s municipalities have urban renewal authorities, including Denver, Pueblo, Colorado Springs, Loveland, Wheat Ridge, Greeley, Aurora, Arvada, Broomfield, Lakewood, Westminster, Sheridan, Littleton, Parker, Glendale, Englewood, Golden, Northglenn, Thornton and Erie.