MMC/MACC
Urban Renewal and Tax Increment Finance Dialogue
January 15, 2015
Denver Regional Council of Governments

Matt Appelbaum - Needs Name Tent

Presenters:
- Greg Sobietski, Colorado Legislative Council
- Cherice Kjosness, DOLA - Department of Property Taxation
- Noah Cecil, Law Student & Boulder Intern

Attending:
- Mayor Sue Horn
- Commissioner Erik Hansen
- Mayor Marc Williams
- Mayor Matt Appelbaum
- Paul Alexander, Institute for the Common Good, Regis
- Catherine Marinelli, Civic Results/MMC
- Peter Kenney, Civic Results/MMC
- Mayor Cathy Noon
- Mark Ruzzin, Boulder Board of County Commissioners
- Joyce Hunt, Thornton
- Commissioner Roger Partridge
- Michael Valdez, Special Districts Association
- Mayor Heidi Williams
- Commissioner Cindy Domenico
- Commissioner Nancy Sharpe
- Commissioner Don Rosier
- Nate Emswiller, Jefferson County
- Linda Michau, Centennial City Attorney

Absent:
- Mayor Steve Hogan
- Mayor Mike Waid
- Commissioner Steve Johnson

Notes:
Process Questions:

- Look for new solutions
- Share your experience and why things should be a certain way — be specific
- We may not have the luxury of a moratorium on legislation or development projects but if we reach a point when we think we need that we can take it up

Core Issues:

- Acknowledgement of the value of URAs and TIF
- Desire for process that is timely, fair
- Both sides are putting a lot into these developments
- Issues are complex need flexibility
- Communities have changed over time since this tool became available
    - Need to look at all economic development tools
- Need for clarity on revenues, cost sharing, etc.
- Keep all the players at the table
- Are there other points to keep in front of us?
    - Should we look at the rules/necessary conditions for formation of URAs?
        - Examples of good and bad URAS
    - Cities and counties often make decisions that cause other jurisdictions to make expenditures — why is this the issue we fight over when others have greater monetary impact?
- What questions do we need to answer to move forward?
    - Timeliness
    - Revenue/cost sharing guidelines
        - Need to explore this and let everyone have meaningful input - counties and taxpayers included
        - Need to be aware that these are taxpayer dollars and they have been approved by the taxpayers, sometimes for specific purposes
        - Littleton ballot question — what is the role of citizens in urban renewal decisions
        - Public hearings on Urban Renewal Proposals are a way to engage citizens short of abandoning representative government

Presentations:

Cherice Kjosness- Division of Property Taxation (see attached presentation)

- Meaningful data is being carried in footnotes
- 2005-2014 — looked only at those that have an active increment/diverting revenue in metro area
- Growth in increment is the growth in the base value
- Total revenue diverted over 10 years from URA and DDAs — county mill levy applied to property tax
    - Adams $33M (2.7% of property tax revenue)
    - Arapahoe $8.7 (.7%)
    - Boulder $5M (.38%)
    - Broomfield $10.7 (6.09%)

    - Denver $205M (6.4%)
    - Jefferson $32M (1.85%)
- Do not have anything that consistently compares the XXX to the base?
- Calculations were based on total revenue diverted to each TIF in each county (levy against the increment produced this revenue)
- Could sales taxes comparison be added?
    - DOLA-DOPT doesn't have this but may have access to the files that do
- Douglas County had diversion of TIF funds from Parker URA but no TIF dollars from Castle Rock DDA - good demonstration of city putting skin in the game
- URA TIF cannot use county sales tax - only county property tax

Greg Sobetski — Colorado Legislative Council (see attached presentation)
- Local Share:
    - School finance mill levies have been frozen since 2007 and cannot be moved without an amendment — capped at 27 mills
    - Does not include mill levy overrides
    - When local share falls, state must backfill revenue
- Diverted revenue may really just affect size of negative factor
- Multiple ways to look at the idea of backfill - since some of this is unknowable
    - If you believe TIF is the only reason why a development occurs then there is no state backfill
    - If you believe that the development would have occurred elsewhere in the state without TIF then it is theoretically lost revenue to the state
- Estimate of maximum amount of backfill = assessed value of properties in TIF x School Finance Mill Levy
- 2013-14 TIF assessed value above the base $1.8B across 38 districts
- $43.4M is the absolute maximum backfill and presumes no offsetting income from sales or income taxes

Questions/Comments:
- Lakewood analysis from last legislative session regarding state sales tax receipts that showed the state coming out ahead of where they would have been absent the development
- Many of these developments are retail and therefor don't have school children and are not driving cost increases and are still covering base
- Lakewood analysis presumes that these dollars would not have been spent elsewhere
- Cannot look at this too narrowly - While some of these areas may not have children, we know that the property tax covers not just that renewal area but services countywide — the growth of property tax is needed to provide mandated services to population which is growing everywhere else
- Backfill is the wrong word and determining the impact is incredibly complex given the relationship between homes, employment, retail and Gallagher
- What would the impact be of expiring TIFs on school finance?

    - Very localized analysis — hard to determine what happens 25 years down the road when the TIF expires — whether the ultimate value is higher than the base or if it declines over the lifecycle
- In terms of big picture, this is a relatively small percentage of the state budget
- So many statutory constraints on state budget — where does the money come from for the negative factor?
    - General Fund revenues that are not pre-appropriated or encumbered are at discretion of the JBC
- Impact on smaller special districts is very large - West Metro Fire District example

Noah Cecil — Boulder County Intern, 3rd Year Law Student
- Assumption that schools are made whole in mill levy overrides
- State statute allows for override but this amount is not backfilled
- $40M in mill levy overrides that are not going to districts because they are going to URAs
- A dollar amount is established in the ballot question and when a URA is diverting a portion of the increment, then the taxpayers are responsible for meeting this obligation

Comments:
- Often there are other mill levy overrides outside of school districts and these are not backfilled
- Ballot question is always phrased “shall this amount” be raised - because of obligations to bond holder

What did we learn today?
- Data is helpful to understanding the budget impacts
- Finally understand the backfill
- Surprised that the numbers are relatively small — even with maximums and no accounting for offsets — at county and state level
- If the numbers are relatively small, why are we not focusing on larger development decisions that affect on a larger scale
- If anyone has impacts that are not netted out it is special districts
- We want a solution that has some equity for everyone
- While the impact is relatively small for counties and school districts, their benefit to the development is quite significant
- How can we address the impacts in order to preserve the tool
- Generally what might be lost
    - Haven’t heard specifically what the costs are and what is lost
- May not matter where development occurs to the state, but it matters greatly to local jurisdictions
- Dollars are big for counties — Arapahoe had to cut $3M this year — drives tough decisions about service provision

    - Arapahoe doesn't have a great deal of commercial development — most development is in cities and a great deal of unincorporated is rural
    - Not interested in getting rid of TIF or urban renewal - key issue is that county revenues can be impacted for 25 years with no real input
    - Federal grants for services require match - many counties cannot afford to provide the match to help offset costs of mandated services
    - Loss of services impacts citizens countywide - not just in unincorporated areas
- Tasked with looking at numbers and ensuring that they are fair and equitable
- Some counties are still recovering from recession
- West Metro says Belmar is a $600K drain on budget in part due to mix of uses
- Two year delay from assessed valuations means counties have to front dollars until values catch up
- Legislators are relying on us to come up with a compromise
- When you freeze value it doesn't freeze demand for services
    - Understand that cities have costs as well
- Should not read revenue sharing - it is revenue stealing
- Douglas Co. PIF on Park Meadows paid back early and Lone Tree has turned back revenues for transportation back to Doug Co
- PIF as TIF alternative - workable solution

What do we still need to know?
- What happens when the TIF obligation is met - value of URA properties
- What increased costs are being generated by URAs using TIFS
- What is the ultimate impact to the base property value surrounding the URAs?
    - Overall increase in base assessment for the county
- Need to draw distinction between urban renewal TIFs and developer TIFs
- If revenue sharing is really the issue then what is the solution?
- What is the impact to counties?
    - Adams Co - it represents about 2% of general fund budget per earlier presentation
    - Unclear what percentage of resources are used to provide services in the URA areas - need to know
- URAs and DDAs need to put skin in game (PIF)
- Cities put dollars on the table
- Counties cannot put the same development incentives on the table
- Base increment relationship and over time relationship to get better idea of impact

What are the assumptions that are hanging our debate up?
-

Key Insights:
- Agreement that TIF needs to remain a tool

- Want fair and equitable outcome
- Unilateral decision making is core of the problem
- Counties are custodians of the tax dollars but not involved in decisions
- Responsibilities of counties are broader and to entire county population
- Phrase “revenue sharing” is flash point
- Need more dialogue at front end — impact study is not a dialogue
- If the chunk of the TIF that is going to counties is too big then we may not have enough to fill the gap that the development faces - need more data to understand what gap is while keeping others whole

Is there data that would help us answer these questions related to equity? What are those data points?

- Data may not be the answer since every project is different
- Perhaps better to establish parameters
- Counties can give input but it doesn’t mean anything — it doesn’t influence the city’s unilateral decision
- If we can resolve the process question, we will need some additional data to determine fair and equitable based on differences in revenue generated by improvements in URA
- Not sure that data is changing anyone’s mind - each side needs acknowledgment of what the other side feels
- If additional data will not sway we should not continue to request it
- More than ⅔ of revenue is provided to everyone in county but levels of service differ
- If we could get data on nets then we could develop an equitable solution
- Not every county is the same, in some areas rural areas are paying more for services than in other counties (taxed differently to account for service needs)
- Issue of who pays more is a Pandora’s Box - unincorporated residents shop at incorporated area stores

What is this process that will allow for a fair and equitable decision?

- Counties need more opportunity to influence ultimate decision that will impact their long term revenues and how they are spent
- Counties ability to offer incentives is incredibly limited by statute
- Some cities feel that they are paying mill levy to county for services that are not being provided (public works example)
- Cities also put many incentives on the table for developments that don’t use TIF and are very beneficial to county (Jones example)
- Some could sign onto limitations on TIF to ensure that they are not in perpetuity and let decline to access TIF
- Cities and counties do many things without consulting each other that drive the other’s costs - TIF being a somewhat inconsequential one in total cost
- If we could better define beneficial URAs and delve into criteria questions we might have better chance of success
    - Example of the prohibition on greenfields and the difference it has made
- County example of Gaylord greenfield investment because it was an important project

- Seat at the table is not a fair and equitable outcome

Process questions? (see attached example proposal)
- Fair and equitable process that leads to a fair and equitable outcome
- Allows counties to be responsive to taxpayers

Homework:
- Come back with proposals that exemplify processes that lead to a fair and equitable outcome

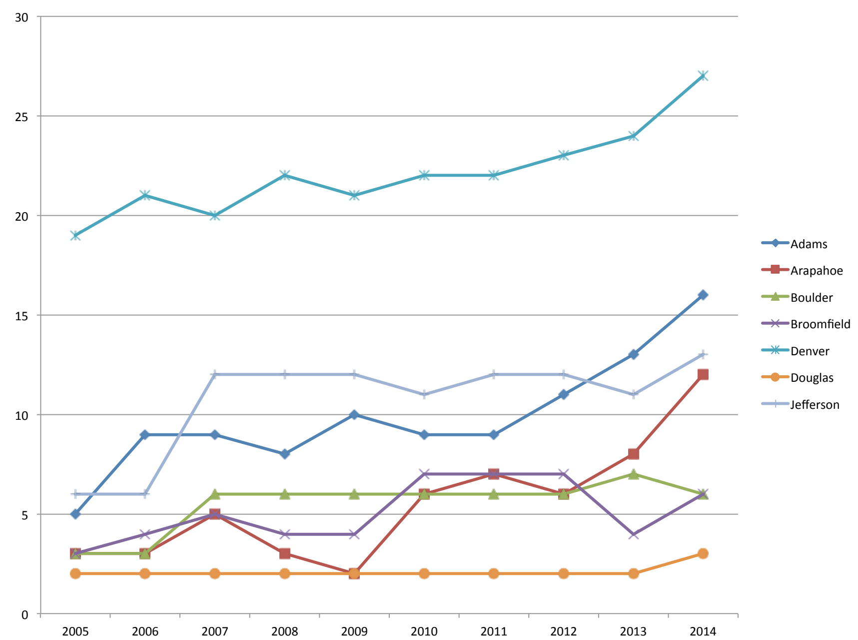
Next Meeting:
- We will send out a poll to pick the next date

10-Year History
of
Metro County TIF Areas

Compiled from Certification of Levies
Reported to Div of Property Taxation

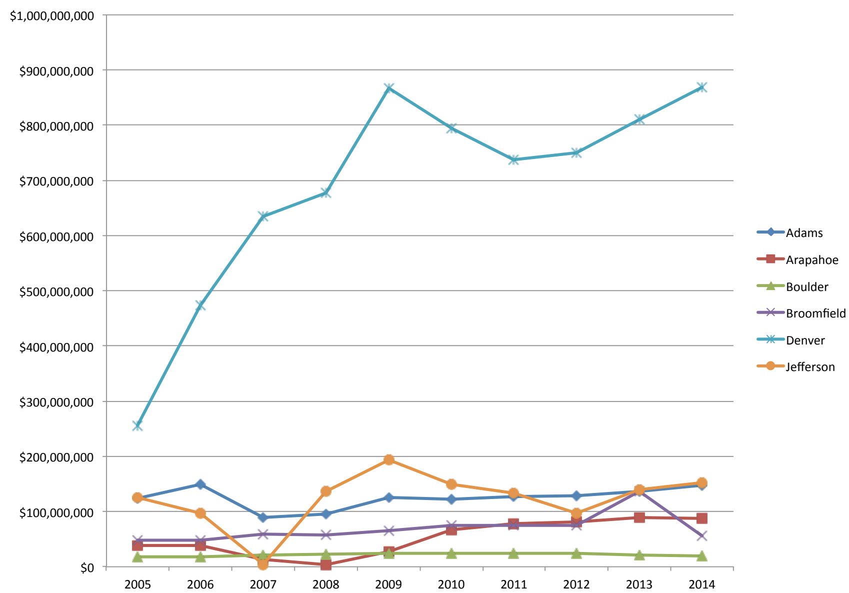
Growth – Number of TIF Areas Attaining Increments

Adams	220.0%	5 to 16
Arapahoe	300.0%	3 to 12
Boulder	100.0%	3 to 6
Broomfield	100.0%	3 to 6
Denver	42.1%	19 to 27
Douglas	50.0%	2 to 3
Jefferson	116.7%	6 to 13



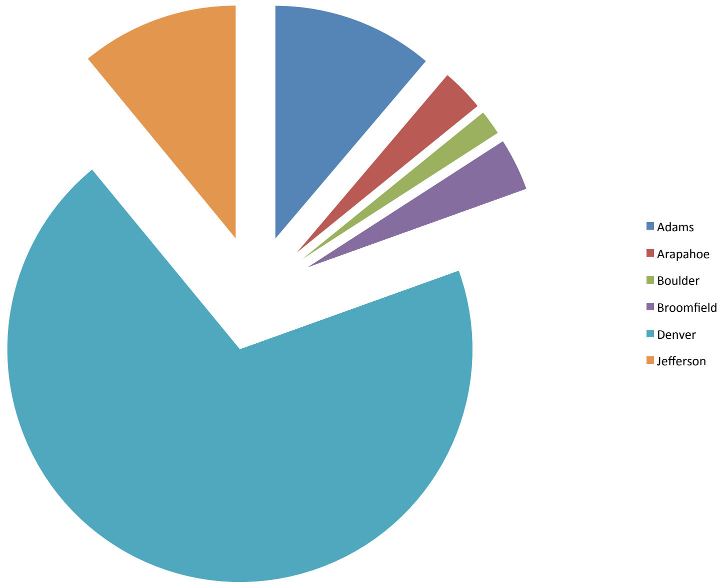
Growth – Increment Values

Adams	18.4%	$124,487,440	to	$147,455,140
Arapahoe	125.0%	$39,075,510	to	$87,939,272
Boulder	4.1%	$18,354,950	to	$19,116,193
Broomfield	18.0%	$48,087,900	to	$56,741,254
Denver	239.1%	$255,942,778	to	$867,864,581
Douglas		missing data		
Jefferson	21.4%	$125,446,460	to	$152,350,496



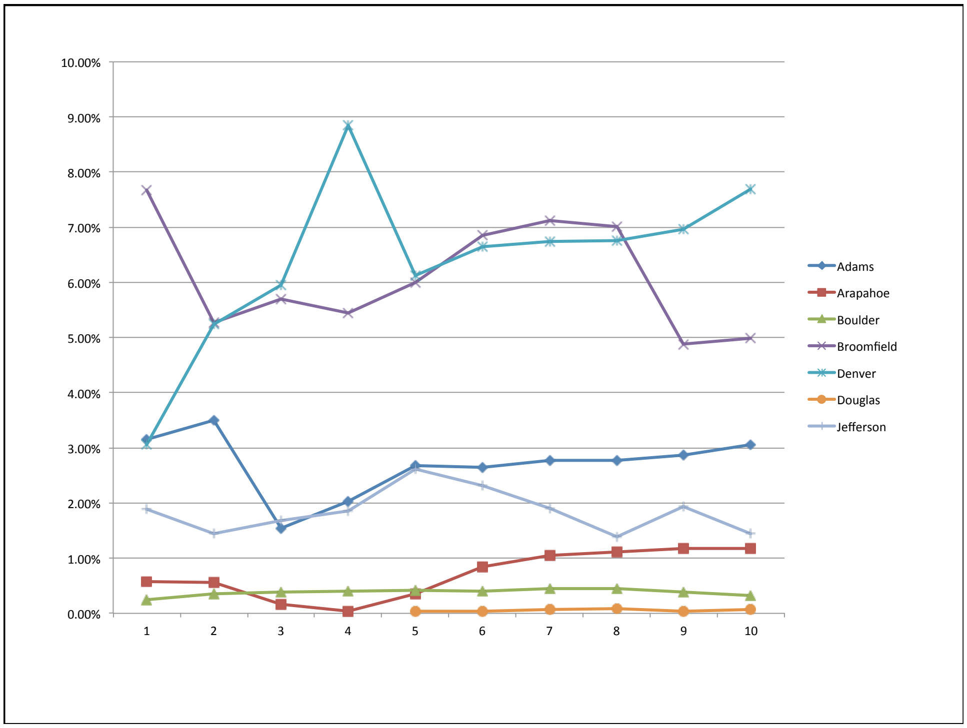
Growth – County Revenue Diverted

Adams	$33,052,834
Arapahoe	$8,737,325
Boulder	$5,069,136
Broomfield	$10,727,574
Denver	$205,103,997
Jefferson	$32,347,684



Diverted Revenue as 10-Yr Avg % of County Purposes Revenue

Adams	2.70%
Arapahoe	0.70%
Boulder	0.38%
Broomfield	6.09%
Denver	6.40%
Douglas	0.06%
Jefferson	1.85%


10.00%
9.00%
8.00%
7.00%
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Adams
Arapahoe
Boulder
Broomfield
Denver
Douglas
Jefferson

Tax Increment Financing and State Backfill to School Districts

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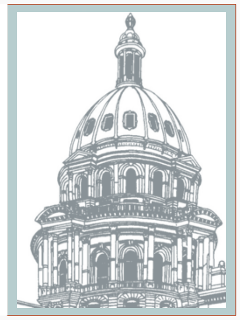

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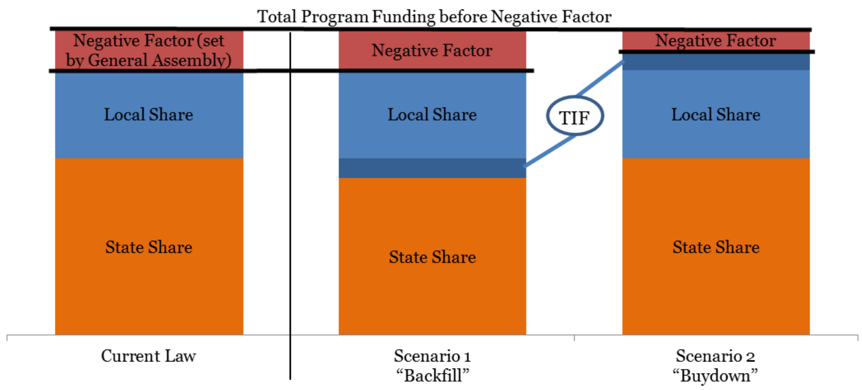
Required Backfill to School Districts

- Legislature sets total program funding level
  - For FY 2014-15, total program funding set at $5.933 billion (HB 14-1298 and HB 14-1292)
- Local share determined by school finance mill levy in each district ($1.980 billion)
  - School finance mill levies frozen in all districts (SB 07-199)
  - Revenue from mill levy overrides does not contribute to local share
- State responsible for balance of total program funding after local share ($3.953 billion)
  - State "backfills" lost local revenue because state share increases as local share decreases

Backfill or Buydown?



Assuming the Backfill…

- …the maximum amount of the backfill is equal to

  Assessed Value of TIF Property
  ×
  School Finance Mill Levy in District

- For FY 2013-14:
  - TIF Assessed Value was **$1.8 billion** across 38 districts
  - School finance mill levies ranged from 4.70 mills (Garfield RE-2) to 27.00 mills (six districts)
  - Maximum amount of backfill: **$43.4 million**

Caveats

- Estimates assume developments would be constructed *somewhere* even if TIF were not available
- To the extent that developments happen *because of* TIF:
  - Property tax is not diverted from school finance
  - There is no state backfill
- To the extent that developments generate sales and income taxes *that would not have otherwise been collected elsewhere*:
  - Additional state revenue offsets the cost of the backfill

Questions?

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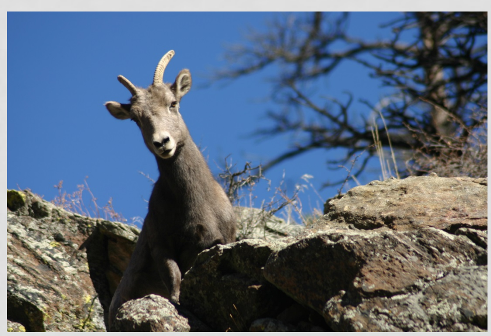

Approved Mill Levy Override Questions For Select School Districts

School Districts With URAs/DDAs	Example Mill Levy Ballot Language	URAs/DDAs found within school district's boundaries	YEAR
Boulder Valley RE-2	Shall Boulder Valley School District RE-2's taxes be increased by $22,500,000 dollars in 2010 for collection in the 2011 calendar year, and by such amounts as may be collected annually thereafter by the imposition of a mill levy which generates revenue, which together with the revenues produced by previous voter authorized tax increases of the district under 22-54-108, C.R.S., as amended, is not greater than twenty-five percent (25%) of the district's total program funding plus supplemental cost of living adjustment, to be used for general fund purposes, which may include, but are not limited to; restoring critical budget cuts; mitigating future budget cuts; supplementing teacher and staff compensation; and funding early childhood education programs?	1.) Boulder URA – 9th & Canyon 2.) Highway 42 Revitalization 3.) Lafayette Old Town 4.) Nederland DDA 5.) South Boulder Road Revitalization Area 6.) Broomfield URA – W. 120th 7.) Broomfield URA – Hunter Douglas Plan 8.) Broomfield URA – North Park Plan	Nov. 2010
Adams County 12	Shall Adams 12 Five Star Schools Taxes be increased by $9.9 million annually as needed to provide funds to continue to deliver a high quality education to district students, including but not limited to the following: Retain high quality teachers; continue academic achievement in reading, writing, math and science; maintain the district's rigorous graduation requirements; meet the needs of second language learners; offset the increased cost of utilities, fuel and health care; limit class size increases, maintain individualized teacher support for struggling students, continue current bus transportation services, and provide up=to-date textbooks and educational technology for students; expand the current senior citizen tax work-off program to involve more senior citizens for a minimum of three years.	1.) Federal Heights Redevelopment Authority 2.) Northglenn URA 3.) Thornton – North Washington 4.) Westminster – Holly Park 5.) Westminster – North Huron 6.) Broomfield URA – W. 120th	Nov. 2008
Cherry Creek 5	Shall Cherry Creek School District No. 5 taxes be increased $18,000,000 annually (the maximum amount which may be collected in any fiscal year, beginning in tax collection year 2009 and for each fiscal year thereafter, by an additional property tax mill levy in excess of the levy authorized for the district's general fund, without limitation as to rate, pursuant to and in accordance with section 22-54-108, C.R.S., such additional taxes to be deposited in the general fund and used for educational purposes, including, but not limited to: maintain class sizes in the kindergarten through twelfth grades by employing sufficient teachers; provide students with the curriculum and instruction necessary for success in college and the workplace; meet the increased costs incurred by the district to continue the district's commitment to academic excellence and to provide an educational program of the highest quality and standards; utilize technology and computer applications to ensure student success in the 21st century.	1.) Aurora – Buckingham #1 2.) Aurora – Buckingham #2 3.) Glendale – Economic Dev. Authority	Nov. 2008
Littleton 6	Shall Littleton Public Schools' (Arapahoe County School District Number 6) taxes be increased $12,000,000 annually beginning in tax collection year 2011, and for each fiscal year thereafter by an additional property tax mill levy sufficient to obtain such increase in excess of the levy authorized for the district's general fund, pursuant to and in accordance with section 22-54-108, C.R.S., such additional taxes to be deposited in the general fund and used for educational purposes, including, but not limited to: continue the district's commitment to academic excellence and accountability and to provide an educational program of the highest quality and standards; maintain class-size in the kindergarten through twelfth grades; provide each child access to a comprehensive education with programs such as art, music, and physical education; provide students with the curriculum and instruction necessary for success in college, post-secondary education and the workplace; maintain adequate numbers of well-qualified teachers; continue to provide students with a safe environment for successful achievement?	1.) Centennial URA	Nov. 2010
Adams-Arapahoe 28J	Shall joint school district No. 28J (Aurora Public Schools) taxes be increased $14.7 million in 2009, and by whatever amounts as may be collected annually thereafter from a mill levy increase not to exceed 7.8 mills, for the purposes of providing students with the tools they need by: investing in educational programs to assist in lowering dropout rates and improving student achievement; recruiting and retaining high quality teaching and support staff; expanding full-day kindergarten; and updating instructional technology.	1.) Aurora URA- Colorado Science & Tech Park 2.) Aurora URA – Fitzsimmons	Nov. 2008
St. Vrain Valley RE-1J	Shall St. Vrain Valley School District No. Re-1J taxes be increased $16,500,000 in tax collection year 2009, and by whatever amounts as may be collected annually thereafter from a mill levy increase of not to exceed 7.4 mills as determined annually by the Board, for educational purposes (which shall include the district's existing four charter schools), including, but not limited to: restoring teacher and staff positions to reduce class size, restoring instructional programs, such as music and world language, attracting, training and retaining high-quality teachers and staff, increasing science, math, engineering, technology and arts programming for the 21st century; adding advanced placement and other rigorous and relevant courses.	1.) Longmont DDA 2.) Broomfield URA – Wadsworth Interchange	Nov. 2008