



*Colorado Legislative Council Staff Fiscal Note*  
**STATE and LOCAL  
 FISCAL IMPACT**

**Drafting Number:** LLS 12-0451  
**Prime Sponsor(s):** Rep. Sonnenberg

**Date:** February 13, 2012  
**Bill Status:** House Local Government  
**Fiscal Analyst:** Alex Schatz (303-866-4375)

**TITLE:** CONCERNING THE ESTABLISHMENT OF NEIGHBORHOOD REVITALIZATION AREAS BY LOCAL GOVERNMENTS.

<b>Fiscal Impact Summary</b>	<b>FY 2012-2013</b>	<b>FY 2013-2014</b>
<b>State Revenue</b>	See State Revenue section.	
<b>State Expenditures</b>	Minimal. See State Expenditures section.	
<b>FTE Position Change</b>		
<b>Effective Date:</b> August 8, 2012, if the General Assembly adjourns on May 9, 2012, as scheduled, and no referendum petition is filed.		
<b>Appropriation Summary for FY 2012-2013:</b> None required.		
<b>Local Government Impact:</b> See Local Government Impact section.		

**Summary of Legislation**

This bill authorizes municipal governments to establish neighborhood revitalization areas in those parts of a municipality that are underused, having declining property values, or contain dilapidated buildings. The bill authorizes municipal governments to offer an incentive for redevelopment in these areas in the form of a property tax rebate of the municipal property taxes paid on the incremental increase in value resulting from improvements made by the taxpayer.

Following a public hearing, the municipal governing body may designate a neighborhood revitalization area and adopt a neighborhood revitalization plan.

A municipal government must establish a neighborhood revitalization fund. In addition to other funding contributed by the municipal government, the fund receives the increment in municipal property taxes within the designated area above the amount levied prior to improvements by the taxpayer. The taxpayer may subsequently apply for a property tax rebate, and the governing body may return all or part of the incremental tax. The bill specifies that property taxes owed to school districts are unaffected by the increment (receiving property taxes on the full, improved value of property at all times), and also that no rebate shall extend longer than 8 years.

Local governments are authorized to form neighborhood revitalization areas cooperatively. The bill also clarifies that urban renewal and other revitalization strategies authorized by law are not precluded by the formation of a neighborhood revitalization area.

### **State Revenue**

Colorado provides income tax credits to owners and tenants who rehabilitate unoccupied buildings in state enterprise zones and who make improvements to qualified historic properties. If this bill provides a sufficient incentive to prompt investment in rehabilitation projects that would not have otherwise occurred, the number of taxpayers who claim the historic property preservation and enterprise zone rehabilitation income tax credits will increase, reducing income tax collections. The bill does not change the eligibility criteria or statutory limits on these income tax credits.

### **State Expenditures**

The Division of Property Taxation (DPT) in the Department of Local Affairs provides reference materials concerning property tax law to assessors and other interested parties. Manuals and other DPT materials will need to be updated to reflect the bill, which is accomplished in DPT's normal quarterly cycle and within existing appropriations.

If the bill results in a significant number of projects, which will increase local school district tax levies, there will be a reduction in the annual state contribution to school district budgets through the School Finance Act.

### **Local Government Impact**

Municipal governments that form a neighborhood revitalization area will incur costs to provide notices and hold hearings. Following the formation of an area, the municipal government will incur costs to calculate the increment, process applications for rebates, and manage the local neighborhood revitalization fund. These duties are consistent with other municipal functions and the bill is not expected to increase municipal government costs significantly.

Redevelopment incentives for property owners may attract businesses to locate in a neighborhood revitalization area and in this manner increase the local sales tax base. The local property tax base may also increase under the bill, as a municipality has discretion to rebate less than the entire increment of property tax growth from improvements and the rebate will expire after a period of 8 years or less for any given property.

County assessors may have some additional workload to identify properties within neighborhood revitalization areas; however, no new valuation or change in tax warrant procedure is required by the bill, and increased costs to assessors will be negligible.

### **Departments Contacted**

Local Affairs

Revenue

Education