

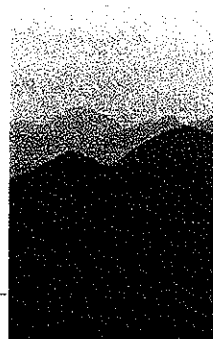
Tax Increment Financing: County Service and Revenue Impacts

**Joint House Local Government Committee and
Senate Local Government and Energy Committee
January 27, 2009**

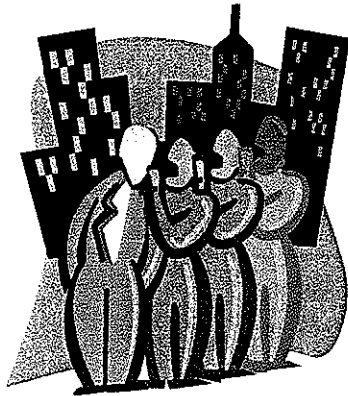
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Tax Increment Financing: County Service and Revenue Impacts

*Tax Increment Financing (TIF)
has significant implications for county
revenue and demand for county
services.*



Redevelopment: A Municipal Priority



In concept, counties support the ability of cities and towns to redevelop appropriately according to the State Urban Renewal and Downtown Development Statutes.

Urban Renewal Authorities (URAs)

- *URAs may be created for the redevelopment of any “blighted area” or “slum area”.*
- *A “blighted area” may be designated based on the presence of a wide variety of conditions, including inadequate street layout and unusual topography.*
- *A “blighted area” is not limited to an urban core but may include vacant or agricultural land.*
- *URAs are created without voter approval.*

Downtown Development Authorities (DDAs)

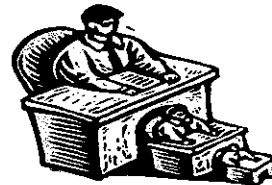
- *Also may be created for redevelopment of a "blighted area" but limited to areas within the central business district of a municipality.*
 - *The presence of just one blight factor may be used to justify creation of a DDA.*
 - *The creation of DDAs must be submitted to voters for approval.*
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Allocation of Property Tax

The property tax dollars collected countywide are distributed among Schools, County, Municipalities, & Special Districts.

In a typical urban county...

- * *approx. 50% goes to the School District*
 - * *approx. 30% goes to the County*
 - * *approx. 12% goes to the Municipalities*
 - * *approx. 8 % goes to all of the Special Districts in the county*
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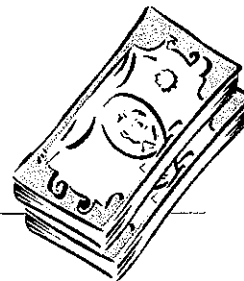
Impact of Tax Increment Financing on Counties

- *Counties rely heavily on a growing property tax base to provide county services to their growing county populations, and to the increasing costs of providing services.*



Impact of Tax Increment Financing on Counties

- *If an Urban Renewal Authority implements a 25-year TIF, the county's property tax revenue base is "frozen" for that 25-year period.*
- *Thus the county loses this significant revenue stream they otherwise would receive.*



County concerns with TIFs:

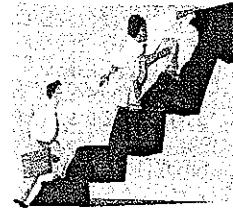
- *Cities capture the taxing power of the county for 25 years or longer, during which time the county is forced to go without the property tax revenue increases it would otherwise have received.*
- *In both URAs and DDAs, revenues diverted from the county subsidize specific private development, without voter approval or other accountability to the county.*
- *Without the expected revenue stream, the county may be forced to raise taxes or cut popular but non-mandated services to ensure funding for mandated services.*

County concerns with TIFs:

- *Diversion of property taxes undermines voter intent in approving specific county mill levy increases.*
- *Diversion of property taxes effectively increases the property taxes paid by all taxpayers statewide.*

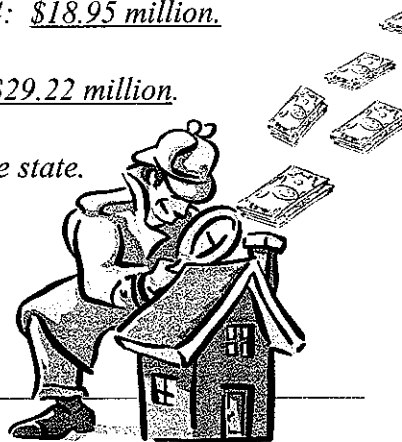
TIF revenue diversions are increasing dramatically.

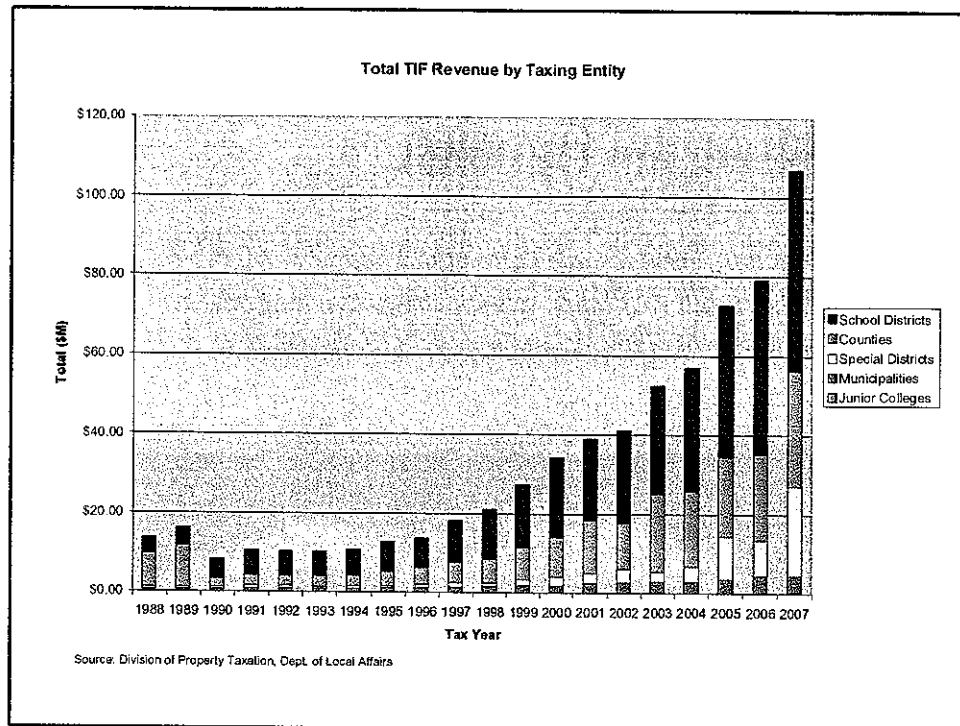
- *Property tax increment from all property tax entities diverted to Urban Renewal Authorities (URAs) around the state in 2004: \$57.04 million.*
- *Property tax increment diverted to the URAs around the state in 2007: \$107.02 million. The school portion, about half of this, (\$50.64 million) is largely backfilled thru the state budget.*
- *Nearly double in 4 years.*



The impact of TIFs on county revenues is also growing dramatically.

- *County portion of property taxes diverted to Urban Renewal Authorities (URAs) statewide, 2004: \$18.95 million.*
- *County portion diverted in 2007: \$29.22 million.*
- *None of this loss is backfilled by the state.*



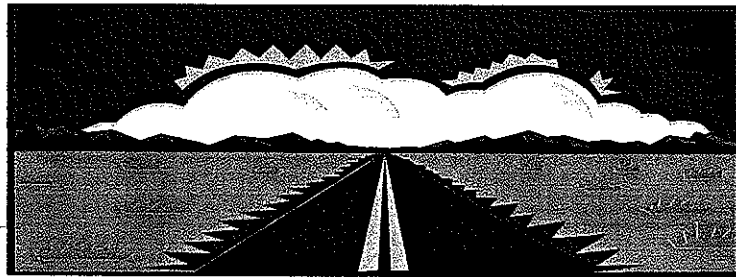


TIFs impact county finances.

- *The major financial impact of TIF to counties is the revenue loss to the county's entire property tax revenue base.*
- *Just as cities rely on increased sales tax revenues to provide services to all residents of the city, counties rely on increased property tax revenues to serve all of county residents, city and county alike.*

County Services: Required, not Optional.

- *Most county services are state mandated, and MUST be provided to all residents, whether they live in cities, towns, or in the unincorporated area of the county.*



Services that counties **MUST** provide...

Include public safety, criminal justice, community corrections, child protection & support, county roads and bridges, sheriff, public health services including communicable disease control, well and sewer inspections, and immunizations property value assessments, tax collections and disbursements to all taxing entities, elections, motor vehicle license plates, and document recording, surveying and coroner's services.

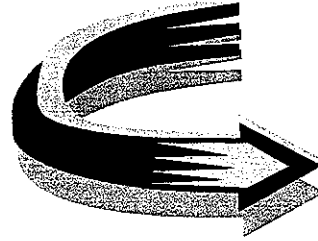
Many counties offer additional services that all residents receive:

Adoption and youth services, senior services, affordable housing, restaurant inspection, drug and alcohol abuse treatment and prevention, drug task forces, juvenile services, community justice services including court ordered community service, open space preservation, county parks and trails.

TIFs: Could/should development occur without them?

- *The redevelopment funded within many URAs would take place without the tax increment subsidy.*
- *TIF should not be available unless true blight, slum, or other detrimental environmental conditions exist.*
- *TIF should not generally be available for initial development of a parcel of raw land.*

Conclusion:



- *Counties depend on the growing revenue stream from an increasing property tax base, to serve all of county residents, including those living in municipalities, and TIF financing directly impacts county budget priorities without county approval.*
- *Nevertheless, there are numerous ways to mitigate the potential negative impacts to counties, while maintaining the ability of municipalities to encourage and support appropriate redevelopment through their URAs.*

