



Legislative Council Staff

Nonpartisan Services for Colorado's Legislature

Final Fiscal Note

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| Drafting Number: | LLS 23-0999 | Date: | August 22, 2023 |
| Prime Sponsors: | Sen. Marchman Rep. Boesenecker | Bill Status: | Vetoed by Governor |
| | | Fiscal Analyst: | David Hansen 303-866-2633 david.hansen@coleg.gov |

Bill Topic: **AGRICULTURAL LAND IN URBAN RENEWAL AREAS**

Summary of Fiscal Impact:

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|---|--|
| <input type="checkbox"/> State Revenue | <input type="checkbox"/> TABOR Refund |
| <input checked="" type="checkbox"/> State Expenditure | <input checked="" type="checkbox"/> Local Government |
| <input type="checkbox"/> State Transfer | <input type="checkbox"/> Statutory Public Entity |

The bill would have specified that agricultural land that was added to an urban renewal area (URA) prior to June 1, 2010, could only be part of the same URA that originally included it prior to that date. By limiting the extent to which a new URA could incorporate agricultural land from an expiring URA, the bill would have conditionally impacted local government revenue and state expenditures related to school finance. The impact would have been conditional on whether the excluded land was developed or remained agricultural land.

Appropriation Summary: No appropriation was required.

Fiscal Note Status: The fiscal note reflects the introduced bill. This bill was vetoed by the Governor on May 23, 2023; therefore the impacts identified in this analysis do not take effect.

Summary of Legislation

The bill limits the inclusion of agricultural land within an urban renewal area. Current law allows agricultural land to be included in a URA if the land was included prior to June 1, 2010. The bill specifies that the land may only be included in a URA if it remains in the same URA in which it was originally included, or modified to include it, prior to June 1, 2010. Thus, agricultural land that was included in an expiring URA prior to June 1, 2010, is prohibited from being including in newly formed URAs.

Background

Urban renewal authorities. Urban renewal laws allow municipal governments to engage in urban renewal projects as a means to improve blighted areas through creation of a URA. URAs may use a variety of tools to develop these areas, including tax increment financing.

Tax increment financing. In Colorado, tax increment financing (TIF) is a tax incentive mechanism for redevelopment projects within a URA or a downtown development authority. TIF is used to generate capital by dedicating growth in property or sales tax revenue to finance projects within the boundaries of the authority, allowing a developer to use a portion of the revenues to pay expenses or debt with the expectation that revitalization of the surrounding area will improve the local economy and increase tax revenue for local governments. The portion of tax revenue used for redevelopment is known as the “tax increment”, or the difference between the actual amount of revenue collected after the TIF is established and the base year tax revenue.

House Bill 10-1107. House Bill 10-1107 prohibited URAs from containing agricultural land, with certain exceptions, unless the land was included prior to June 1, 2010.

Local Government

Depending on whether or not agricultural land excluded from future URAs is developed, and whether or not that development would have occurred with or without the existence of a URA, the bill will conditionally impact local governments. If the excluded land remains agricultural land and is not further developed, local government property and sales tax revenue will be minimally affected. If some amount of building and development on agricultural land excluded from future URAs under the bill occurs in the future, the bill conditionally increases local property and/or sales tax revenue for cities, counties, school districts, and special districts, and decreases the amount collected by URA’s.

State Expenditures

Based on the local government impacts described above, the bill potentially impacts state expenditures for school finance. To the extent school district property taxes increase from development on agricultural land that is excluded from future URAs under the bill, the local share of school finance will increase and the state share will decrease. School finance expenditures may be paid from the General Fund, the State Education Fund, the State Public School Fund, or a combination of these. If agricultural land that is excluded from future URAs under the bill remains agricultural land, the bill will have minimal or no impact on the state’s share of school finance costs.

Effective Date

The bill takes effect upon signature of the Governor, or upon becoming law without his signature.

State and Local Government Contacts

Counties
Property Tax Division

County Assessors

Local Affairs