



**Colorado
Legislative
Council
Staff**

SB17-279

FISCAL NOTE

FISCAL IMPACT: State Local Statutory Public Entity Conditional No Fiscal Impact

Drafting Number: LLS 17-0966	Date: April 5, 2017
Prime Sponsor(s): Sen. Zenzinger; Martinez Humenik Rep. Beckman; Gray	Bill Status: Senate Local Government Fiscal Analyst: Josh Abram (303-866-3561)

BILL TOPIC: APPLICABILITY RECENT URBAN RENEWAL LEGISLATION

Fiscal Impact Summary	FY 2017-2018	FY 2018-2019
State Revenue		
State Expenditures	Workload increase.	
Appropriation Required: None.		
Future Year Impacts: None.		

Summary of Legislation

This bill makes technical adjustments and clarifies recent legislation concerning urban renewal authorities (URA), urban renewal plans, and provisions for sharing tax increment financing (TIF) among affected taxing entities. Specifically, this bill:

- further defines and clarifies when a change to an urban renewal plan is to be considered a substantial change;
- requires that a URA provide 30 days notice to all taxing entities within the renewal area before taking formal action to approve a substantial change to a renewal plan;
- permits any taxing authority in the urban renewal area to file an action requiring a district court to determine if the modification fits the definition of a substantial change;
- allows the district court to enjoin any action of a URA until the court determines if the requested modifications amount to a substantial change; and
- provides a 45 day period in which a taxing entity can petition a district court to enjoin an activity of a URA, including issuing bonds, incurring financial obligations, or pledging revenue.

Finally, the bill clarifies that the modifications and clarifications to laws governing URAs and TIF, both in this bill and in related legislation adopted in 2015 and 2016, are applicable to URAs created on or after January 1, 2016, and to modifications of an urban renewal plan where the modification is approved on or after January 1, 2016.

Background

TIF increments. Tax increment financing is a tool used to generate capital for urban renewal projects, setting aside growth in tax revenue over and above existing property and municipal sales taxes. The revenue stream is typically dedicated to the repayment of bonds, or for other specific purposes. The tax increment is identified as the difference between the TIF district's initial revenue base (as adjusted each assessment cycle) and the amount of additional tax collections after the TIF is established.

Urban renewal projects. Urban renewal, including TIF, is a tool used by municipalities to address blighted conditions with planning and public improvements, encouraging the development of housing, mixed use, office parks, industrial, or retail land use. Successful urban renewal projects increase assessed values within an urban renewal area and generate a potential property tax increment. Projects with a retail component generate a potential municipal sales tax increment, as well as new county sales taxes.

State Expenditures

The bill increases workload for district courts in several ways. First, any taxing entity within an urban renewal area may request that the courts review changes to an urban renewal plan and determine if those changes qualify as a substantial modification. If the modification is substantial, the court may be required to enjoin actions by the URA until there is compliance with statutory provisions addressing the sharing of incremental property tax revenue.

As a result, the legislation will create additional filings in district court. This fiscal note assumes a high level of compliance by URAs and other taxing entities, and that cases involving district courts will be rare. It is further assumed that the bill's review and approval process will be exhausted before such cases reach the courts, further limiting the number of potential cases. Therefore, the bill will result in a minimal workload impact for district courts, which can be accomplished within existing appropriations.

Effective Date

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

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