SB 23-175

Legislative Council Staff

Nonpartisan Services for Colorado's Legislature

Final Fiscal Note

Drafting Number:	LLS 23-0806	**Date:**	August 22, 2023
Prime Sponsors:	Sen. Jaquez Lewis; Rich Rep. Boesenecker; Taggart	**Bill Status:**	Signed into Law
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Bill Topic: **FINANCING OF DOWNTOWN DEVELOPMENT AUTHORITY PROJECTS**

Summary of Fiscal Impact:

☐ State Revenue
☒ State Expenditure
☐ State Transfer
☐ TABOR Refund
☒ Local Government
☐ Statutory Public Entity

The bill allows municipalities to adopt 20-year extension periods for property tax increment financing arrangements for downtown development authorities. The bill increases state expenditures, increases municipal revenues, and decreases other property tax district revenues beginning in FY 2031-32.

Appropriation Summary: No appropriation is required.

Fiscal Note Status: The revised fiscal note reflects the enacted bill.

Summary of Legislation

The bill allows municipalities to adopt 20-year extensions for property tax increment financing arrangements for downtown development authorities (DDA). The extensions are allowed following an initial 30-year period and a one-time 20-year extension under current law. For an extension period under the bill, the bill sets up requirements for an expanded board that includes a member of the board of county commissioners and a member of the school district. The bill continues a default split of incremental revenue established during the one-time 20-year extension under current law with 50 percent allocated to the municipality that established the DDA and 50 percent allocated to other governmental entities that levy property taxes within the boundary of the DDA. As under current law, a municipality and a tax entity may agree to allow the DDA to retain more than 50 percent. The bill also requires that the base value of the DDA advance by one year during each year of the automatic and recurring 20-year extension periods. Lastly, the bill allows a municipality and a DDA to enter into an intergovernmental agreement that allows a municipality to delegate the power to incur debt to the DDA, and enable the DDA to pledge money for the payment of the debt.

Background

Tax increment financing. In Colorado, tax increment financing (TIF) is a tax incentive mechanism for redevelopment projects within an urban renewal area (URA) or a DDA. 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 used for redevelopment is the tax increment, or the difference between the actual amount of revenue collected after the TIF is established and the base year tax revenue.

Under current law, a DDA may retain the entire property tax increment to finance redevelopment during an initial 30-year period. During the last 10 years of the initial period, the TIF arrangement for property tax may be extended for an additional 20 years under certain conditions. First, the base year is advanced forward by 10 years, and then advanced forward every year during the final 10 years of the extension. Second, at least 50 percent of the incremental revenue collected within the DDA must be allocated to other taxing districts within the DDA, unless a greater amount is negotiated.

Downtown development authorities. There are currently 19 DDAs in the state. The first DDAs established in the state were the Fort Collins (1981) and Grand Junction (1982) DDAs. Table 1 lists each DDA and its start year.

Table 1
Downtown Development Authorities

DDA	County	Start Year
Fort Collins	Larimer	1981
Grand Junction	Mesa	1982
Longmont	Boulder	1982
Rifle[1]	Garfield	1982
Mt. Crested Butte	Gunnison	1996
Greeley	Weld	1998
Glenwood Springs	Garfield	2000
Woodland Park	Teller	2001
Nederland	Boulder	2006
Colorado Springs	El Paso	2007
Denver Union Station	Denver	2008
Castle Rock	Douglas	2008
Glendale	Arapahoe	2010
Windsor	Weld	2011
Golden	Jefferson	2013
Loveland	Larimer	2015
Englewood	Arapahoe	2020
Eagle	Eagle	2020
Littleton	Arapahoe	2022

[1]The Rifle DDA does not utilize tax increment financing.

State Expenditures

School finance. The bill will decrease property tax collections from school district total program mills beginning in FY 2031-32 when the first automatic extensions under the bill are set to occur for Fort Collins DDA for property tax year 2031, followed by Grand Junction in property tax year 2032. The decrease in local collections will require an increase in the state share of total program funding for school finance to the extent municipalities do not opt out of the automatic and recurring extensions, an amount that will continue to increase as more DDAs reach the 50-year limit under current law. Assuming a full 50-year TIF period, the state's most recently established DDA – the Littleton DDA – will begin automatic and recurring extensions under the bill in 2073. The state share of total program funding will depend on redevelopment activity within each DDA, other factors that add or subtract from base and incremental valuations in each DDA, agreements between municipalities and school districts that determine share of incremental property tax revenues, and future General Assembly decisions concerning the budget stabilization factor. School finance expenditures may be paid from the General Fund, the State Education Fund, the State Public School Fund, or a combination of these.

In 2022, the Grand Junction DDA collected 100 percent of the incremental revenue generated from the Mesa Valley School District mill levy, or about $1.05 million, and the Fort Collins DDA collected 50 percent of the incremental revenue generated from the Poudre R-1 School District mill levy, or about $3.4 million. In 2022, the combined incremental assessed value of the states' DDAs was about $677 million.

Division of Property Taxation. The bill is expected to increase workload in the Department of Local Affairs' Division of Property Taxation. Workload will include reviews and updates of procedures, forms, and manuals, and to provide technical assistance to local governments. The workload increase can be accomplished within existing appropriations.

Local Government

The bill will increase municipal property tax revenue and decrease county government and special district property tax revenue beginning in FY 2031-32 when automatic and recurring 20-year extensions for the Fort Collins DDA commence in 2031, assuming the city does not opt-out. Revenue increases and decreases will become larger as more DDAs reach their 50-year TIF limit under current law and begin automatic and recurring extensions.

In 2022, the Grand Junction DDA collected about $142,000 from the county mill levy, and about $85,000 from other special property tax district mill levies including water districts, mosquito control, library, metro district, and drainage. In 2022, the Fort Collins DDA collected about $1.4 million from the county mill levy, and about $695,000 from other special property tax district mill levies including a health district, pest control, sanitation, water, water conservation, and library district. Incremental property tax revenue for each DDA from school districts is noted above in the State Expenditures section.

Effective Date

The bill was signed into law by the Governor on June 2, 2023, and it took effect on August 7, 2023.

State and Local Government Contacts

Counties	County Assessors	Information Technology
Local Affairs	Municipalities	Property Tax Division
Special District Association		