

COUNTIES AND CITIES URBAN RENEWAL DISCUSSION

INTRODUCTION

A small group of county commissioners and mayors have met to discuss the use of Urban Renewal. They have jointly crafted a list of Principles and Suggestions. It is their hope that these ideas can be a starting point for a person-to-person conversation between city and county elected leaders. The ultimate goal is to build consensus as to how urban renewal should work for the next 50 years.

Urban Renewal is a broad topic with a dozen facets. The group chose to focus on several key issues that seem to be at the center of the issue.

The ideas are stated briefly below, followed by a more in-depth description in the attachment.

BASIC PRINCIPLES

➤ Urban Renewal is becoming more important.

Age can hurt a community. Many of Colorado's suburban cities are the same age as downtown Denver was in the 60's and 70's when urban renewal keyed its revitalization. We see that the need for revitalization is no longer a core-city phenomenon, it reaches communities across Colorado.

While the need is growing, resources are shrinking. Thirty years ago Federal dollars assisted in urban renewal projects. Today we must provide for ourselves. As cities look to stimulate their most challenged areas, urban renewal is one of the few tools available.

➤ Urban Renewal projects can have dramatic effects on all local governments.

Urban Renewal can have financial and service impacts the city, the county, the school district, and special districts such as Fire districts, Recreation districts, Library districts, etc. Colorado's Urban Renewal Structure should encourage these local impacts to be addressed through the urban renewal project plan.

➤ Within specific limitations, urban renewal should be retained as a tool.

Cities are charged with the economic and social vitality of their communities, to address this responsibility, they should have the tool of Urban Renewal to be used **within specific guidelines.**

➤ Colorado's urban renewal law should be amended.

Current law allows cities wide latitude in financial models for Urban Renewal Districts. Many commissioners and mayors believe that a narrowing of the allowed financial models, jointly drafted by counties and cities, would be appropriate at this time.

➤ The key to successful urban renewal is teamwork between the local jurisdictions.

Colorado's urban renewal law should reward cooperation between affected jurisdictions. In addition, it should create a structure for resolving disagreements.

➤ Each Urban Renewal situation is unique, so changes should be flexible.

Many have observed that there is no "typical" urban renewal project. Urban Renewal guidelines should be flexible and allow for a project's unique aspects.

SUGGESTIONS TO BEGIN DISCUSSION

Based on these Basic Principles, the following guidelines are offered for discussion:

1. Setting the Base

Colorado's urban renewal law is designed to insure that no jurisdiction has their pre-existing tax revenues reduced by the creation of an urban renewal district. By extension, it is suggested that the revenues should not be held artificially low by the creation of an Urban Renewal district.

Insuring a reasonable base is perceived as the single most important issue to counties and special districts. The following ideas are offered to address concerns about the base valuation.

A] Cleared Buildings

When buildings on a property are demolished to allow for a new urban renewal project, the base value for purposes of urban renewal will be the last market value of the land and the old buildings. The base will not be determined as the value of the cleared land only.

B] Ag Land.

When a property is valued as agricultural land for the purposes of property taxes, then becomes part of an urban renewal project, the base value of the land will be as vacant land which is zoned for the use seen in the new project.

The changes in A] and B] will go a long way to insuring that affected jurisdictions are truly held harmless by an urban renewal project.

2. Principled Communications and Process

There are many examples of cooperation between a city, county, and a school district on an urban renewal project. While cooperative projects don't get the press and attention of controversial projects, they are actually the strong majority of projects.

A key in all these cooperative projects is an open, structured communication process at the beginning of the project. It is suggested that a structured process between the jurisdictions become a requirement for the use of urban renewal.

3. A Resolution Process when a city and a county/district cannot agree

Each urban renewal project is unique in its residential possibilities, job creation, impact on affected jurisdictions, and financial structure. When the process described in Heading 2 does not yield an agreement, there should be an additional 2-stage process. The first stage is non-binding mediation with an independent mediator. If still no agreement, there will be a binding arbitration process.

This mediation-then-arbitration process is strongly preferred over a default sharing percentage.

EXPLANATIONS AND EXAMPLES

1. A) Base Property Valuation when existing buildings are demolished

This idea can be illustrated with an example. Suppose that an existing project is 40 years old and in bad shape. It is going to be demolished so that a new, mixed use project can go up in its place. Further, assume that the current building and land is worth \$5, the land alone is worth \$2, and the new building and land is worth \$11. Today's structure allows that only the increment is available to the Urban Renewal District, where the increment is the new value minus the "base". Many people assume that the base is whatever the property was valued at before the Urban Renewal project was built, or \$5 in our example. The remaining \$6 is available to the Urban Renewal District. The current interpretation of the statutes by the Colorado Division of Property Taxations requires assessors to lower the "base" when the building is demolished leaving a base value of the cleared land, or \$2 in this example. Thus the county will receive all property taxes on only \$2 of property valuation, and \$9 is available to the Urban Renewal District.

It was the consensus of the group that counties should be "kept whole" after the Urban Renewal District is created. The group agrees that \$5 should be the base for calculating the urban renewal increment.

For purposes of determining the increment available to an urban renewal district, the base shall be calculated as the most recent property valuation of land plus improvements prior to demolition.

1. **B] Base Property Valuation when the land was taxed as agricultural**

Again we can look at an example. Suppose that for tax purposes, a property is used for grazing, has no infrastructure, and is taxed at a value of \$.50. Assume that when the Urban Renewal Project is fully complete the value of the land and buildings will be \$12. Further, assume that undeveloped land that is in the same area, has the same location advantages, and is zoned for the kinds of uses we see in the urban renewal project, but which does not have infrastructure improvements would be valued at \$3.

It was the consensus of the group that the \$3 value should be used as the base for determining the Urban Renewal tax increment.

[Kevin, I know you don't see the issue of infrastructure the same way I described it, could you weigh in here? What are your thoughts?]

If a county or school district does not agree with the base valuation of the land, and in the rare event that this cannot be resolved in the Communication Process described below in Section 2], then the affected jurisdiction should have the ability to challenge the valuation through a Board of Freeholders.

For purposes of determining the increment available to an urban renewal district where the land in the district was taxed as agricultural land before the urban renewal project, the base valuation will be for value of land in the same location, with the appropriate zoning to allow the proposed urban renewal project, and with the infrastructure which is in place at the time the urban renewal district is declared.

2. Principled Communications and Process

The following concepts and principles describe a process of communication and partnership that the group sees as basic to a productive Urban Renewal process. A revised law should strongly encourage a process that meets these principles, though at the same time the group is reluctant to be overly prescriptive in describing a process.

- Cities which are planning urban renewal should contact all potentially affected jurisdictions prior to the release of any blight study. A general discussion of goals and conceptual plans for the proposed urban renewal project should be shared at that time.
- If blight is found, affected jurisdictions should have an opportunity to comment specifically on the jurisdiction's experience with the property in question. Ideally these comments would be solicited, received, and accounted for, in the blight study.
- Cities should facilitate meetings to share the development plans, revenue plans, cost plans, and impacts of the project. Specifically included should be a discussion/analysis of the long-term prognosis for the property if the development does not occur, and specific analysis of whether the proposed project can move forward without participation by the affected jurisdictions.
- As part of the process, the city should prepare, at its expense, a preliminary impact analysis, showing the project's projected impact on the included jurisdictions. The jurisdictions should be asked to comment on the impact analysis. When the affected jurisdictions believe the impact analysis is significantly incorrect, the jurisdictions' comments should be encouraged to be in writing.
- If issues of service or financial impact are identified, the city should host discussions between the affected jurisdictions, the city staff, and the developer in order to clarify the extent of the impacts.
- The city should work with the developer in an attempt to address each issue brought forward by affected jurisdiction as described in the financial and service impact reports. In some cases, it may be possible to address an affected jurisdiction's needs by allowing the project to include district facilities which can be built with incremental revenues from the affected jurisdiction.
- Overall, these steps would address the primary problems most often heard cited by Districts—lack of information, lack of opportunity to participate, and lack of concern by the municipality to assess and address any District's problems.

3. A Resolution Process when a city and a county/district cannot agree

We begin with the assumption that the EURI has followed a clear process where they have informed the affected jurisdictions that urban renewal is being contemplated, they have completed and shared the impact studies, and they have held the meeting with the county and districts. Further, we assume that after these efforts; no agreement was reached between the EURI and one of the jurisdictions. For purposes of an illustrating example, let's assume it is the county.

Under this program, the EURI and county would be required to attend a mediation process with the intent of finding a resolution which both parties could agree to.

If an agreement is reached through the mediation process, the agreement is acted on by both parties and the project moves forward under the agreed-to terms. If no agreement is reached through the mediation process, then both parties will enter into a binding arbitration process.

In the arbitration process, both parties will submit a proposal to a mutually selected arbiter. The arbiter will then choose one of the proposals in its entirety and exactly as submitted.

The mediation and, if needed, arbitration processes will have few requirements except for the general guidelines listed here.

- When the process described in Section 2 above does not result in an agreement, the parties will enter into non-binding mediation. Either party may initiate mediation.
- The process for mediation and arbitration will be primarily left to the chosen mediator and arbiter.
- The mediation and arbitration processes will each take no longer than 60 days. During mediation, the mediator must declare that there is impasse if no agreement is reached within the 60 day period. The arbiter must manage the process such that they can render a binding finding within the 60 day period.
- The mediator and arbitrator will be selected jointly by the jurisdictions. There will be no restrictions as to who can serve as mediator or arbitrator, other than joint agreement. The jurisdictions may agree to have from one to three people serve as either mediator or arbiter.
- The arbitration process will be set up to encourage reasonable proposals from both parties. Because the arbiter will choose one proposal in its entirety, it is thought that generally the most reasonable proposal will be chosen. By contrast, a process that lets the arbiter “split the baby” between the proposals tends to encourage extreme proposal. It is intended that this process will encourage reasonable proposals from both parties.