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October 19, 2009

Northglenn Urban Renewal Authority Position Statement on Tax Increment Financing

Dear Stakeholders:

The Northglenn Urban Renewal Authority ("NURA") respectfully provides this letter setting forth its position on the use of tax increment financing ("TIF") and potential legislative modifications to this critical urban renewal tool. In doing so, we sincerely hope and request that you will consider our position as a resource in the various efforts to amend Colorado's Urban Renewal Statutes.

Northglenn Urban Renewal Authority Activity

NURA operates in a strictly urban environment. Its activities are limited to redeveloping deteriorated and traditionally blighted urban areas. All of the NURA's projects have been, are currently, and are anticipated to be urban infill projects. NURA does not redevelop agricultural land, and has never undertaken residential redevelopment. NURA's ability to use tax increment financing is an essential and irreplaceable tool to provide the financing necessary to revitalize deteriorated areas within the City of Northglenn.

Northglenn is wholly within Adams County and NURA and Adams County have operated as a partnership as it relates to NURA's urban renewal efforts over the years. NURA acknowledges the valid concerns of counties and other taxing districts regarding the impact of redevelopment on their ability to provide adequate services. NURA agrees that they should not be asked to assume the costs attributable to urban renewal activity without compensation.

Finally, each urban renewal area, and each urban renewal project, has its own unique challenges, and it is troubling that certain isolated examples of the apparent excess of urban renewal powers have the possibility of destroying an effective tool for eliminating blight in urban areas.

POSITION

With the above in mind, NURA takes the following position with respect to amending the TIF provisions in Colorado's Urban Renewal Law:

A. Greenfield development should be treated differently than urban infill redevelopment. Such development should be treated differently for a number of reasons. First,

in general, the impact on the services required from the county and districts is typically greater than for urban infill development. Second, the primary purpose of urban renewal under Colorado law is to address blight in deteriorating urban areas.

Potential Solutions Applicable to Greenfield Development:

1. Limit when agricultural land may be added to an urban renewal area based upon: (1) contiguity with an urban area; (2) EPA designation as a brownfield; or (3) as agreed upon by the urban renewal authority and affected county and taxing districts.

2. Allocate TIF differently for greenfield developments, by (1) altering the base valuation to the value of the land after rezoning; (2) potentially (see "TIF Sharing" section, following) including TIF-sharing, or a different percentage of TIF-sharing than for urban infill; or (3) as agreed upon by the urban renewal authority and affected county and taxing districts.

B. Counties and districts should be compensated for demonstrated financial impacts of serving the redeveloped area.

Potential Solutions Applicable to Traditional Infill "Urban Redevelopment" [Note: Urban renewal projects are generally more expensive when in an urban environment]:

1. Additional provisions requiring an inclusive process providing counties and districts with input prior to addition of an area to the urban renewal area, or prior to implementation of TIF.

2. Mandatory TIF-sharing with a statutory cap based upon: (1) substantiated county and district estimates of cost impacts; (2) potentially (see "TIF Sharing" section, following) a default TIF-sharing percentage (that is different for greenfield and urban infill projects); or (3) as agreed upon by the urban renewal authority and affected county and taxing districts.

Binding Arbitration

Binding arbitration is not an acceptable means of settling how TIF revenue should be allocated. First, it is not permissible under Colorado law. *See Greeley Police Union v. City Council*, 553 P.2d 790 (Colo. 1976); and *City of Aurora v. Aurora Firefighters Protective Association*, 566 P.2d 1356 (Colo. 1977). Second, no prudent investor/developer is likely to commit in advance to the uncertainties of binding arbitration, especially the willing abandonment of legal remedies imposed by acceptance of binding arbitration. Third, it introduces too much uncertainty and is too time-consuming to be feasible. Therefore, although crude, the most effective means of dispute resolution is to allow the parties to resolve the issue on their own with a statutorily-capped default percentage that applies when an agreement cannot be reached.

TIF Sharing

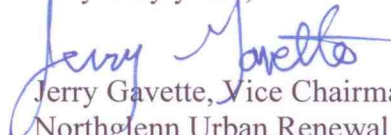
Although each urban renewal project is unique, a 50/50 TIF sharing requirement will leave most urban renewal authorities without sufficient revenue to undertake effective redevelopment. For urban infill projects, a percentage that is more indicative of the impacts to counties and districts and the revenue needs of today's urban renewal projects would not ever seem to exceed 20 percent to the other taxing entities collectively, and 80 percent to the urban renewal authority that is taking the risks associated with the project.

While not ideal, such a solution provides certainty to urban renewal authorities and the development community that 80 percent of the TIF revenue is available for the life of the project, and pro formas can be developed to assess a potential project accordingly.

Finally, it is NURA's sincere hope that any such changes will be prospective, to avoid adversely affecting already approved plans and projects.

On behalf of the Northglenn Urban Renewal Authority, thank you for your consideration.

Very truly yours,


Jerry Gavette, Vice Chairman
Northglenn Urban Renewal Authority

For:


Phil Carney, Chairman
Northglenn Urban Renewal Authority

c: Northglenn City Council