

Frequently Asked Questions

8-11-06

What is a Conditions Survey (Blight Study) and why do one?

One financing mechanism the City is considering to fund improvements along the Highway 42 corridor and advance the objectives of the Highway 42 Framework Plan, is Tax Increment Financing (TIF). TIF dollars can only be used within a designated urban renewal (redevelopment) area. An area can only be designated as an urban renewal (or redevelopment) area if the following items have been addressed:

- Independent blight study or conditions survey has been prepared and presented first, to the municipalities urban redevelopment authority or board, and second, to their City Council;
- Market analysis has been completed in order to determine the potential for future uses within the urban renewal area, and their potential timing;
- Urban renewal plan document and supporting financing plan (impact analysis) have been prepared;
- Stakeholder have been contacted and invited to comment on future uses and required improvements within the area;
- City Council accepts the findings of the conditions survey and adopts (by resolution) the urban renewal plan.

What is Tax Increment Financing (TIF)?

Tax Increment Financing (TIF) is a unique mechanism that enables an urban renewal authority or board to use the net new tax revenues generated by projects within a designated urban renewal area to help finance future improvements. TIF is new source of tax revenue, not an additional tax, that would not be available but for new investment.

When a redevelopment project is being planned, the urban renewal authority or board analyzes how much additional property and/or sales taxes may be generated once it is completed. That "tax increment" then can be used by the urban renewal entity either to finance the issuance of bonds or to reimburse developers for a portion of their project costs. In either case, the new tax revenue

that is created must be used for improvements that have a public benefit and that support the redevelopment effort, such as site clearance, streets, utilities, parks, the removal of hazardous materials or conditions, or site acquisition.

Source: Denver Urban Renewal Authority

Can TIF always be used to finance a project?

No, TIF is used only when a “blighted” area or property cannot be redeveloped without public investment and when it meets a public objective, and then only to fill the gap between the total project cost and the level of private financing the project can support. In the case of developer reimbursement, the amount of money reimbursed depends on the success of the project, with the developer being reimbursed only if the project creates additional tax revenue for the city.

If an area is described as “blighted” what does that mean?

The legal term “blight” describes a wide array of urban problems, which can range from physical deterioration of buildings and the environment, to health, social and economic problems in a particular area.

According to Colorado State Statutes (CRS 31-25-103) (2), a “blighted area” is defined as follows: *“Blighted area” means an area that, in its present condition and use and, by reason of the presence of at least four of the following factors, substantially impairs or arrests the sound growth of the municipality, retards the provision of housing accommodations, or constitutes an economic or social liability, and is a menace to the public health, safety, morals, or welfare:*

- (a) *Slum, deteriorated, or deteriorating structures;*
- (b) *Predominance of defective or inadequate street layout;*
- (c) *Faulty lot layout in relation to size, adequacy, accessibility, or usefulness;*
- (d) *Unsanitary or unsafe conditions;*
- (e) *Deterioration of site or other improvements;*
- (f) *Unusual topography or inadequate public improvements or utilities;*
- (g) *Defective or unusual conditions of title rendering the title non-marketable;*
- (h) *The existence of conditions that endanger life or property by fire or other causes;*
- (i) *Buildings that are unsafe or unhealthy for persons to live or work in because of building code violations, dilapidation, deterioration, defective design, physical construction, or faulty or inadequate facilities;*

- (j) *Environmental contamination of buildings or property;*
- (k.5) *The existence of health, safety, or welfare factors requiring high levels of municipal services or substantial physical underutilization or vacancy of sites, buildings, or other improvements;*
- (l) *If there is no objection of such property owner or owners and the tenant or tenants of such owner or owners, if and, to the inclusion of such property in an urban renewal area, "blighted area" also means an area that, in its present condition and use and, by reason of the presence of any one of the factors specified in paragraphs (a) to (k.5) of this subsection (2), substantially impairs or arrests the sound growth of the municipality, retards the provision of housing accommodations, or constitutes an economic or social liability, and is a menace to the public health, safety, morals or welfare. For purposes of this paragraph (1), the fact that an owner of an interest in such property does not object to the inclusion of such property in the urban renewal area does not mean that the owner has waived any rights of such owner in connection with laws governing condemnation.*

Source: Colorado Revised Statute 31-25-103(2).

Why would I, a property/business owner, want to be included in an urban renewal area?

By initiating the process of designating an area for urban renewal, a City is sending the message that they are interested in assisting with its revitalization. Through the planning process, market opportunities are identified and the private sector is engaged in understanding these opportunities, as well as the tools which are available to assist with project implementation. Property owners and businesses benefit from both the public and private commitments and investment through association and proximity. (Also see "impacts to property values.")

Does being in an urban renewal area affect my property values?

It can affect your property values, and more often than not, in a positive way. Frequently, when an urban renewal area is designated, property values increase. This happens because many times private individuals begin to purchase land in anticipation of both future development and increased property values. It also happens because properties located within an urban renewal area are often perceived by the development community as valuable because of the availability of financial incentives which are not available outside the area.

Does being in an urban renewal area mean my property will be condemned?

No. The ability to condemn property is a right of any municipality under eminent domain. The use of condemnation by government is limited to instances deemed necessary for the “public good” and usually as a last resort. Property for an urban renewal project is most often acquired by private interests in arms-length transactions at fair market value. Most municipalities are extremely reluctant to use their condemnation powers for many reasons, not the least of which is the lengthy acquisition and negotiation process. Under the proposed Highway 42 plan, condemnation powers may only be used upon a vote of at least two-thirds of the entire membership of the City Council after a public hearing.

Who decides what the final urban renewal plan will look like?

Input from “stakeholders” who participate in the public process to define a vision for the area is incorporated into the urban renewal plan. The plan is then presented to the Urban Renewal Board (LRC) for review, discuss and approve, and ultimately the plan document is presented to City Council for adoption. An urban renewal plan must be approved by City Council in order for any urban renewal project to be undertaken.

If my property is in an urban renewal area, what flexibility do I have to improve it?

The same municipal regulations which applied prior to the urban renewal designation, apply after, e.g. zoning, development standards, etc. The presence of urban renewal generally does not impose additional restrictions on property use. Rather, it makes available additional tools (incentives) to assist with implementation projects which are consistent with the urban renewal plan.

What is the process for establishing an urban renewal area and advancing and urban renewal plan?

Generally

1 Determine Project Planning Area Boundaries; **2** Verify Presence and Location of Blighting Conditions; **3** Meet with Stakeholders - Exchange Information and Educate; **4** Prepare Conditions Survey *; **5** Present Conditions Survey Findings to LRC and Council for Acceptance; **6** Together with Stakeholders - Define Future Role of Area in Community; **7** Identify Market Opportunities Within Area and Quantify Timing; **8** Prepare Urban Renewal Plan; **9** Complete Financial Analysis (Tax Increment Finance - TIF); **10** Complete Impact Analysis (as per legislation) and Share With All Impacted Taxing Bodies; **11** Present Urban Renewal Plan to LRC and Council for Adoption; **12** Issue Request for Projects; **13** Implement Plan

- Based on conditions survey findings, modify boundaries for urban renewal area, if necessary.

Source: Leland Consulting Group, 303.458.5800, www.lelandconsulting.com