

## Urban Renewal Frequently Asked Questions

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### **What legislation authorizes the powers and practices of urban renewal authorities?**

Urban renewal laws exist at both the federal and state levels. The urban renewal law in Colorado is defined in Colorado Revised Statutes Title 31 Government - Municipal § 31-25-101 *et seq.* (herein referred to as the "Act".)

### **Who makes up the board of an urban renewal authority?**

An urban renewal authority board consists of up to thirteen members. Of these members, at least one member must be appointed by the county commissioners, one member must be a board member of a special district levying a mill levy within the urban renewal authority area, and one member must be an elected member of the school district. The other members of an authority either consist of the governing body of the municipality or are appointed by the municipality's mayor, in consultation with the councilors or trustees. Among the nearly 45 urban renewal authorities that are active in Colorado, approximately 50% or one-half are appointed boards.

### **How is an urban renewal area created?**

Creation of an urban renewal area may be authorized by the governing body of the municipality. Once the area is initially defined, the urban renewal authority commissions an independent study of conditions (referred to as a "blight study" or "conditions survey") in order to determine if the requisite threshold of factors (as defined by the Act) are present in order to make it eligible for an urban renewal designation. Following completion of the survey, an urban renewal plan, along with a report of potential impacts to the county or counties where the area is located, is prepared and submitted to the same for review and comment. After property and business owners have been notified, a public hearing is held for the governing body to consider the findings of "blight" (as defined by the Act) and adoption of the urban renewal plan.

### **What is considered when defining an urban renewal area?**

Several factors are considered when defining the boundaries of an urban renewal area, not the least of which is compliance with the provisions of the Act which requires that "the boundaries of an area that the governing body determines to be a blighted area shall be drawn as narrowly as the governing body determines feasible to accomplish the planning and development objectives of the proposed urban renewal area." Beyond this guidance, other considerations include: objectives for investment and reinvestment described in the community's general plan; presence of visible neglect and deterioration; patterns of negligence and unsafe conditions; property ownership; and additional items that can be shared prior to commencing the study of conditions.

**What is Tax Increment Financing?**

Tax Increment Financing (TIF) is a mechanism used by municipalities to fund eligible improvements which provide a public benefit. TIF resources are a new source of revenue arising from property and sales tax revenues generated from new development and reinvestment within an urban renewal area. TIF is not an additional or a new tax. TIF is only available within a designated area for a period of time not to exceed 25 years after an urban renewal plan is adopted and new investment occurs.

**What can TIF revenues be used for?**

TIF revenues are set aside to be reinvested within the urban renewal area. TIF revenues can be used to construct new streets, streetlights, parking facilities, and sidewalks. Such revenues can also be used for building façade improvements, parks, plazas and other public amenities.

**How is “blight” defined?**

Blight is a legal term, defined in Colorado State Statute (CRS 31-25-103) (2), and describes a wide array of urban problems, which can range from physical deterioration of buildings and the environment, to health and economic problems in a particular area. A “blighted area” is “... an area that, in its present condition and use and, by reason of the presence of at least four of the eleven (11) 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.”

**Does being in an urban renewal area adversely affect property values?**

No. The presence of an urban renewal designation has only been found to increase the speculative value of properties given the resources that may be available for investment and reinvestment. In addition, if and when redevelopment activity in these areas occurs, property owners either proximate to or in the vicinity of these developments often realize an increase in value.

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

No. The ability of local and state government to condemn property exists whether or not an urban renewal area is created. Moreover, the power of eminent domain as it applies to an urban renewal authority (in Colorado) has been made so complex and costly, that it is effectively infeasible in the vast majority of instances.

**Will my property be “declared” blighted?**

No. Individual properties are not declared “blighted,” but rather areas are determined to have the presence of four or more “blighting” factors.

**How long does it take to implement an urban renewal plan?**

The timeframe for an urban renewal plan is limited only by its provisions for the use of TIF. TIF resources may be used within an urban renewal area for no more than 25 years, and may be used for fewer years. The Act states that TIF dollars should be used for as long as is necessary to implement the intentions of the plan, and no longer. The purpose, or intentions of any urban renewal plan, is to eliminate or mitigate blighting conditions and to advance the community's goals as described in their general plan.

**What if a governing body decides not to adopt an urban renewal plan?**

Assuming a community followed the steps to create an urban renewal area, once the governing body commences the public hearing, they have 120 days to either adopt or choose not to adopt the urban renewal plan. In the event they decide not to adopt the plan, they may not consider this type of designation in the same area for two years.

**What kind of power does an urban renewal authority possess?**

An urban renewal authority has only those powers expressly authorized and described in the Act. These powers generally include all activities related to the undertaking urban renewal projects, planning for investment, and negotiations with property owners and developers of projects within its boundaries. Authorities may acquire real property through arms-length transactions, construct or install public improvements, finance eligible improvements completed by private or public entities; and issue bonds.

**May any owner of property or business apply for urban renewal funds?**

Yes, if such owner's property is located within the designated urban renewal area. Thus, an owner of property in a designated urban renewal area may apply for funding assistance and be considered based on established criteria. Private activities which an urban renewal authority may elect to advance or assist will likely exhibit an economic "gap" or disparity between potential (early) revenue and project costs. Public improvements will benefit the community and serve to catalyze additional investment.

**Are owners in an urban renewal area required to improve their property?**

No. Adoption of an urban renewal plan does not impose a requirement that properties within its boundaries be improved. New projects in the plan area, similar to development projects anywhere in the municipality, will have to comply with all existing guidelines and regulations. Urban renewal authorities are not regulating entities, but may request or require that certain materials or standards be applied based on specific provisions of the plan. However, in these instances, they generally make available tools (incentives) to offset any associated expenses.

**Do owners have to disclose they are in a "blighted area" when they sell their property?**

No. As explained above, properties in an urban renewal area are not designated as being "blighted"; but rather, conditions are observed or identified in an area, and most frequently in

locations accessible to the public, rather than on private parcels. Further, the discussion of blighting conditions may only be found in the study of conditions. There is no notification of this finding to any outside group or organization.

**Why would a property or business owner want to be located in an urban renewal area?**

The urban renewal planning process, itself, provides numerous benefits to property owners, regardless of a final designation by the governing body or not. When an urban renewal authority or elected body initiates a study to investigate circumstances in a defined area for this purpose, they are essentially committing resources to understand conditions which may be adversely impacting properties and people. If the area is deemed eligible, they are also committing future resources to finance necessary improvements.

**Are there other public programs that accomplish what urban renewal and TIF can?**

Colorado authorizes the creation of numerous types of entities to finance improvements to new and existing infrastructure and utilities, as well as maintain and market areas for the benefit of private interests. Urban renewal, as a tool, and the TIF resources available within them, are unique in the following ways: finances public improvements without raising taxes; presents to financial risk for the municipality whereas any pledge of resources is based on income dependent on future private investment; may be offered under a variety of different terms including as a: grant, low interest loan, patient capital, matching funds, or bond revenue.

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