

2026

Public Finance Tools: Tax Increment and Special Districts

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Overview/Agenda

- Tax Increment Financing and Urban Renewal
- Special and Metro Districts
- Potential Benefits
- Potential Drawbacks



"Someday, all this will be infrastructure."

Perspectives: Public v. Private

- Increased/more sophisticated public demand for infrastructure and services
- Changes in tax policy - more public improvements financed by private developers
- Cities (and citizens) want development to pay its own way
- Result - More public/private partnerships, lines blurred

- Tools = Value Neutral
- Each City decides whether and how to use them



Tax Increment Financing (TIF)

Tax Increment Financing – Types of Governmental Entities

Urban Renewal Authority (“URA”)

- C.R.S. §31-25-101 *et seq.*
- purpose: eliminate slum and blight

Downtown Development Authority (“DDA”)

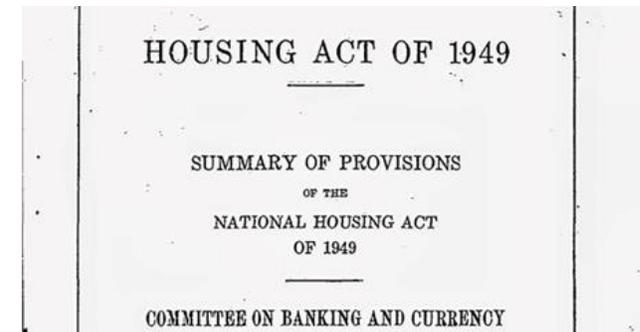
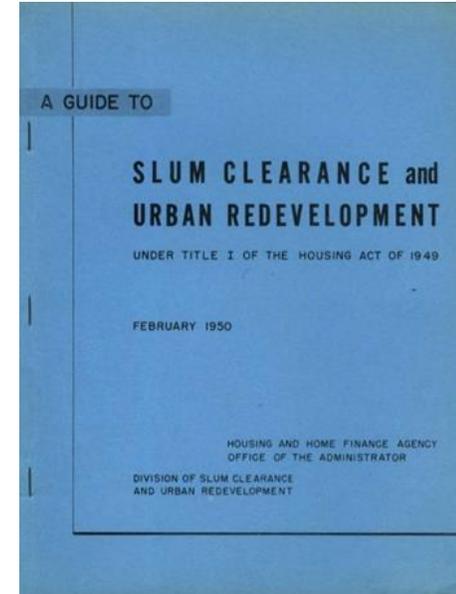
- C.R.S. §31-25-801 *et seq.* urban development or redevelopment
- purpose:

County Revitalization Authority (“CRA”)

- C.R.S. §30-31-101 *et seq.*
- Purpose: revitalization and economic investment

Urban Renewal in Colorado - History

- Enacted 1958, when urban renewal and slum clearance were pressing issues nationwide, and allowed for development of open land
- Federal Housing Act July 15, 1949 (63 Stat. 413)
- Intended primarily to enable Colorado to receive federal funds designated for slum clearance and housing construction
- TIF provisions added in the late 70's/early 80's when federal funds began to dry up



Purpose and Philosophy of Urban Renewal

“the prevention and elimination of slums and blight is a matter of public policy and statewide concern in order that the state and its municipalities shall not continue to be endangered by areas which are focal centers of disease, promote juvenile delinquency, and consume an excessive proportion of its revenues because of the extra services required for police, fire, accident, hospitalization, and other forms of public protection, services, and facilities”



Philosophy behind Urban Renewal



certain slum or blighted areas . . . may require acquisition, clearance, and disposition . . . since the prevailing conditions therein may make impracticable the reclamation of the area by conservation or rehabilitation



other slum or blighted areas . . . may be susceptible of conservation or rehabilitation in such a manner that the conditions and evils enumerated in this section may be eliminated, remedied, or prevented



salvable slum and blighted areas can be conserved and rehabilitated through appropriate public action and the cooperation and voluntary action of the owners and tenants of property in such area

Statutory Authorization

- **C.R.S. § 31-25-101 et seq.**
- Purpose: eliminate slum and blight
- **Not:**
 - **job creation**
 - **economic development**
 - **increase tax revenue**



But....

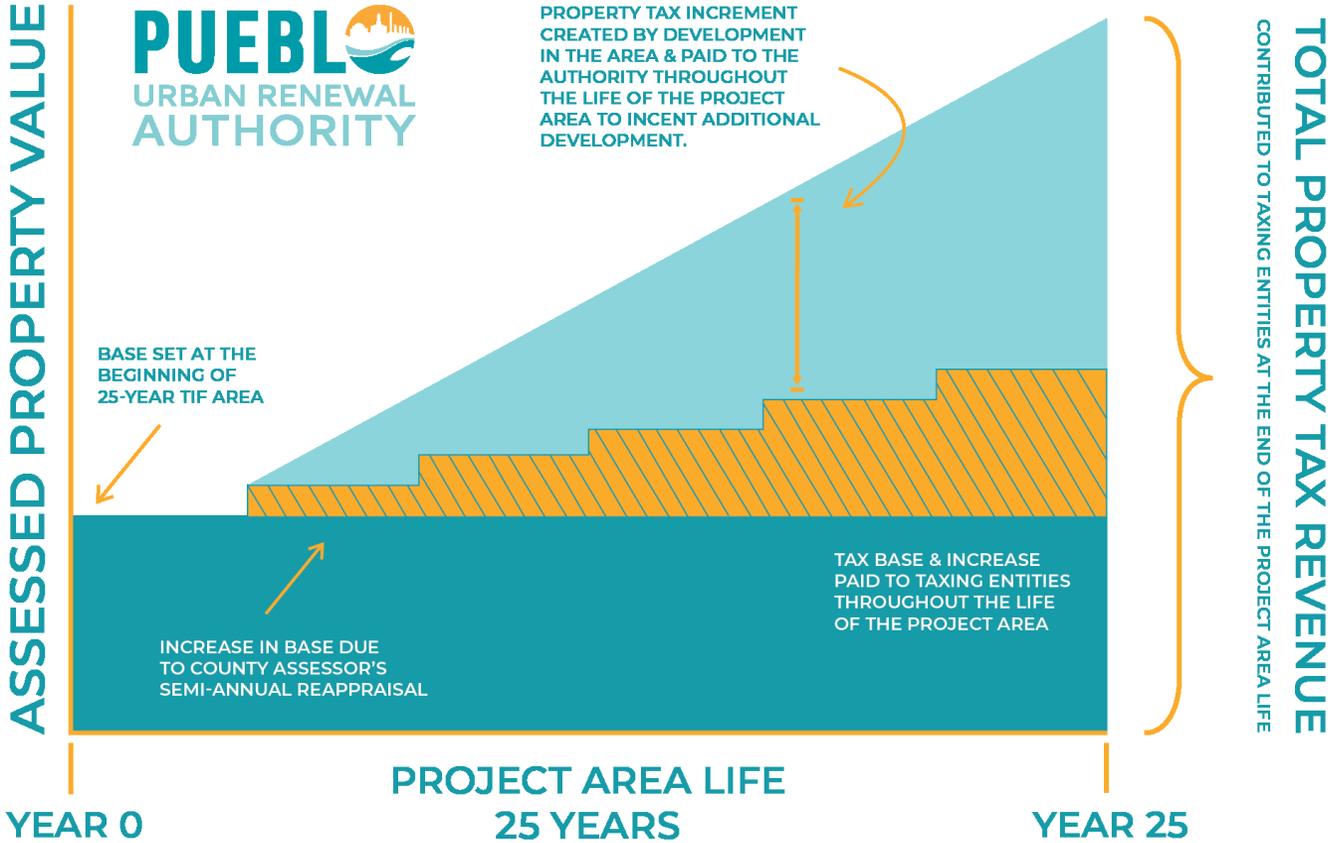


Blight



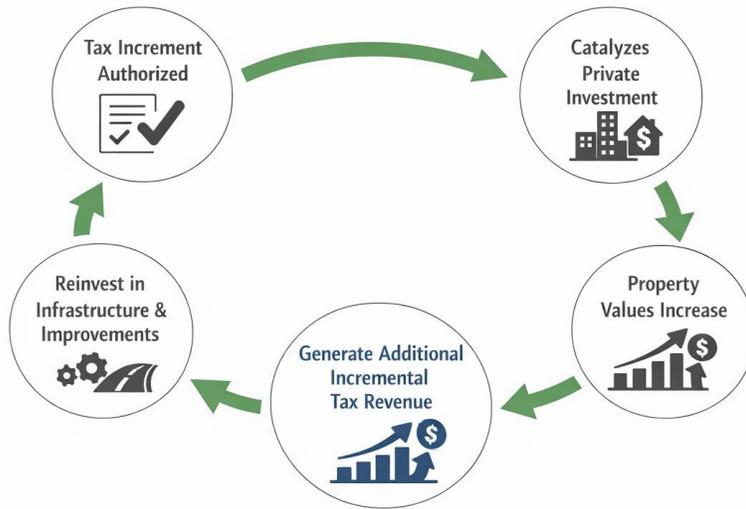
- Slum, deteriorated, or deteriorating structures
- Predominance of defective or inadequate street layout
- Faulty lot layout in relation to size, adequacy, accessibility, or usefulness
- Unsanitary or unsafe conditions
- Deterioration of site or other improvements
- Unusual topography or inadequate public improvements or utilities
- Defective or unusual conditions of title rendering the title non-marketable
- Existence of conditions that endanger life or property by fire or other causes
- Buildings that are unsafe or unhealthy for persons to live or work in
- Environmental contamination of buildings or property
- 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

How TIF Works



“Virtuous Cycle” of Tax Increment Financing (TIF)

The Virtuous Cycle of Tax Increment Financing (TIF)



- When a URA plan area is established, the existing assessed value of the property is frozen as the "base."
- As redevelopment occurs and property values increase, the incremental tax revenue above the base is captured as "tax increment."
- Tax increment revenues are reinvested in the plan area to pay for infrastructure improvements that facilitate and catalyze private investment.
- As more private investment occurs, more increment is generated — creating a virtuous cycle.

Tax Increment

- Tax increment may be derived from:
 - Sales, use, and lodging taxes (municipal)
 - Property taxes (all taxing entities, with consent under HB 15-1348)
 - County sales taxes (with consent, under HB 15-1348)



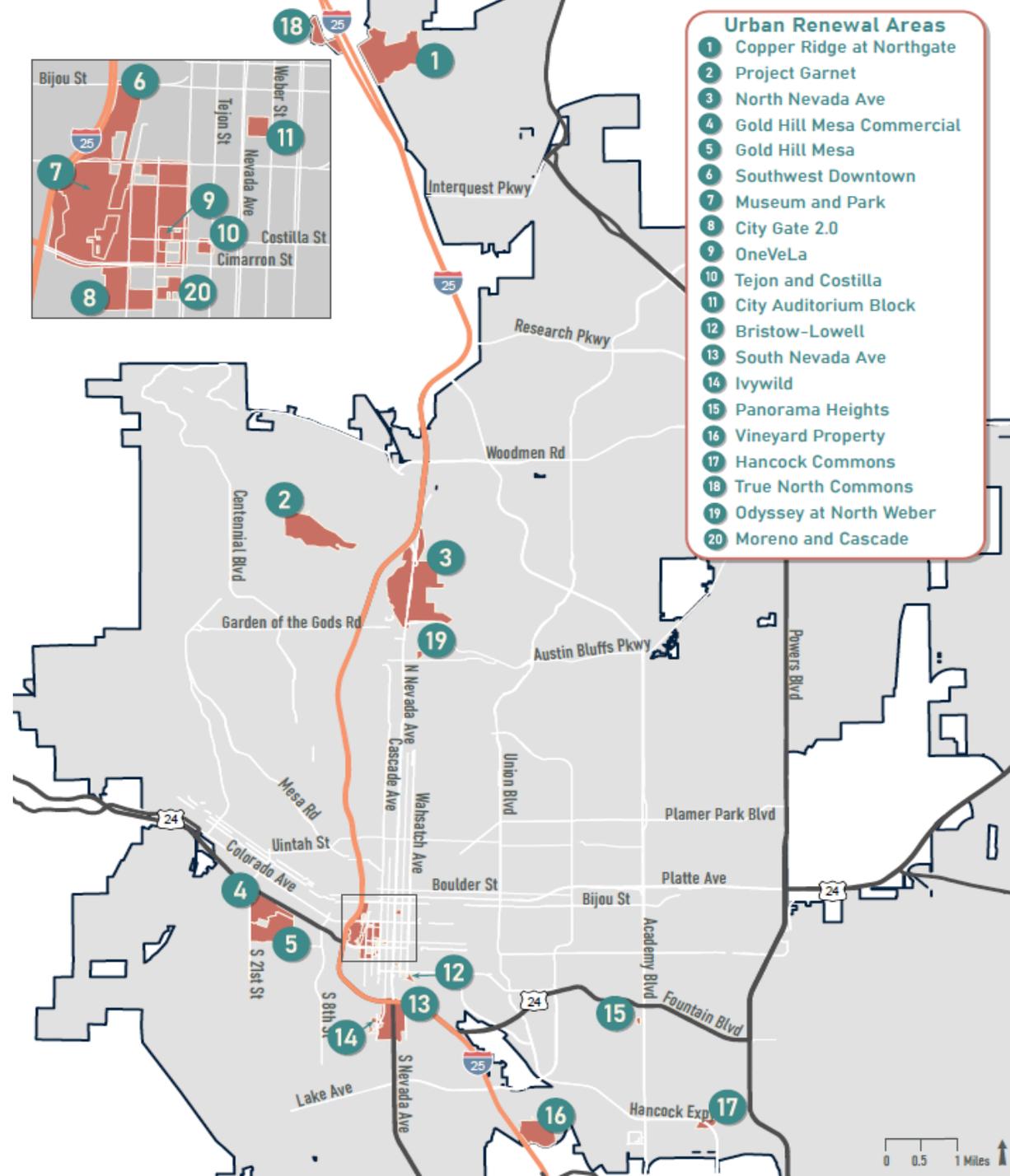
Seats at the Table – HB 15-1348



- HB 15-1348 (2015) made two fundamental changes:
- **Governance** — Seats on the URA Board
 - Three new commissioners must be added to each URA Board, representing:
 - County
 - School District
 - Special Districts
- **Negotiation** — Plan by Plan
 - Requirement to negotiate TIF sharing with each taxing body for each new or amended plan
 - If no agreement is reached after 120 days, a mediation process is triggered
 - Mediator issues findings of fact regarding the appropriate allocation of urban renewal project costs

Authority v. Area

- Urban Renewal AUTHORITY => governmental entity, governed by a board, jurisdiction is entire municipal boundary
- Urban Renewal AREA => geographic area contained within a single approved urban renewal plan
- Each city has only one Urban Renewal AUTHORITY but that Authority can oversee an unlimited number of urban renewal plans
- Colorado Springs has 20 Urban Renewal Plan Areas



Policy Issues: “But For” and “Maximum Opportunity for Private Enterprise”



The "But For" Test:

Not found in the statute

A public policy filter used by URA boards to ensure that the project cannot be developed without tax increment

Asks whether the market itself would deliver the desired outcomes without TIF assistance



Maximum Opportunity

In adopting a new plan area, City Council must find that the plan will provide "maximum opportunity," consistent with the comprehensive plan, "for the rehabilitation or redevelopment of the urban renewal area by private enterprise."

Colorado Springs Urban Renewal Authority



- The Colorado Springs URA features:
 - Independent 13-member Board, with taxing body representatives pursuant to HB 15-1348
 - Robust process for evaluating proposals and requests for TIF
 - Extensive experience negotiating with other taxing bodies

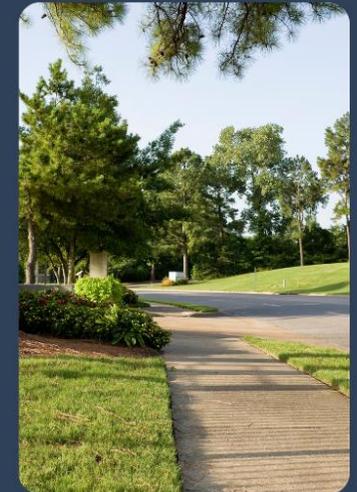


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*Special and Metropolitan
Districts*

What is a special or metro district?

- Districts formed under Article 1 of Title 32 of Colorado Revised Statutes
 - Governmental entity
 - quasi-municipal not quasi-governmental
 - Political subdivision of the State
 - Subject to TABOR
- Special District – authorized for a single purpose under Title 32
- Metropolitan District – authorized for two or more purposes



Powers and Functions of Special Districts

- Generally speaking, district may
 - finance
 - construct
 - own
 - operate
 - maintain
- public improvements
- Districts also have the power of eminent domain



Types of Improvements Authorized

- Ambulance
- Health Services
- Health Assurance
- Street Improvements
- Safety Protection Improvements
- Parks and Recreation Improvements
- Water Improvements
- Sanitary Sewer Improvements
- Transportation Improvements
- Fire Protection Improvements
- TV Relay
- Mosquito control
- Phone line extension
- Added in 2004 legislation
 - (limited) security services
 - covenant enforcement
- Districts may NOT
 - provide police protection
 - construct electric or gas systems



Governance



- Self-governing
 - Once formed, municipality has limited control
- BUT
 - Must operate within **service plan**, electoral authorization and statute
 - Elected board manages daily business of district
- Additional municipal oversight can be provided via
 - annual reporting – service plan requirement
 - contract/IGA

Financing



- District authorized to;
 - levy ad valorem tax (subject to TABOR and service plan limitations)
 - impose rates, tolls, fees and charges for services, facilities, programs and indebtedness
 - issue general and special revenue bonds as well as general obligation bonds (which may be limited obligations based upon mill levy limitation)
 - establish sub-districts
- Debt of district is not debt of the municipality
- Limits of district debt constrained by
 - State statute
 - Service plan

Transparency



- Open Meetings
 - Districts are subject to the Colorado Sunshine Act, C.R.S. §24-6-401
 - All meetings with quorum of members where formal action may be taken must be open
 - All meetings with a majority or more of the members of the governing body present must be open
 - Public notice required for meetings where formal action occurs OR quorum present

Transparency



- Public Records
 - District subject to the Colorado Open Records Act (CORA), §§24-72-201 et seq.
 - All records, unless exception applies, subject to public inspection

Transparency

Transparency Notice

- Required by legislation (SB 09-87)
 - Due by January 15 of each year
 - Provides information on the special district’s directors, taxing information and upcoming election information.
 - Searchable database:
<https://www.sdaco.org/transparency/>
- Also, notice under 32-1-104.8 (Information Statement), recorded against district property when order and decree is recorded

Transparency



- Financing
 - Districts subject to Colorado Local Government Budget Act, C.R.S. §§29-1-101, *et seq.*
 - Must adopt annual budget after notice and public hearing
 - Annual audit required, filed with state auditor (C.R.S. §29-1-603)
 - Must submit annual financial audits or audit exemptions (e.g. less than \$750K revenue/expenditures)

Transparency

- Real Estate disclosures
 - Purchase contract – all caps language(C.R.S. §38-35.7-101)
 - Statement at closing for purchaser signature (C.R.S. §10-11-22)
- Both state generally that
 - property may be located in a special taxing district
 - taxes (mill levy) may increase as a result
 - further information is available from local government or county assessor



Elections

- Follows Local Government Election Code (C.R.S. §§1-13.5-1101 *et seq.*)
- Required for taxing and debt authorizations (TABOR)
- Required for Board membership
 - Eligible Electors of the special district may be appointed and/or elected to the Board of Directors.
- Public notice required
- Regular special district elections – Tuesday following first Monday in May
- HB 18-1039 – changed from even year elections to odd year elections



Mill Levy Caps

- Debt Service v. Operations & Maintenance
 - Remember that service plan sets outer limit; District Board decides on actual amount
 - Impact of Gallagher on residential v. commercial districts
- Can vary, but most common cap
 - 50 mills – debt
 - 10 mills – O & M
 - 60 mills combined

Term Caps

Why limit the maximum term of district debt?

- Typically, formed to finance and construct a known package of public improvements. The total revenues needed can be estimated.
- Once constructed, some municipalities want to ensure district must seek approval by municipality of service plan amendment to ensure that district does not incur significant long-term debt, or continually refinance existing debt
- Other checks and balances to limit term/amount of debt
 - regular district elections
 - debt capacity
 - unlimited authority to refinance once district board is resident controlled



Colorado Springs Metro District Process

- Special District Policy – August 9, 2022
 - Submit Service Plan — Comply with Title 32 and the 2022 City Policy; use the Model Service Plan; include map exhibits
 - Submit Service Plan to City — Meet filing deadlines
 - City Administrative Review — Staff review and analysis; preparation for Budget Committee
 - Budget Committee Review
 - City Council Public Hearing — Evaluate and decide
 - If Approved: Resolution of Approval → District Court Process (file petition, court hearing and election, decree of organization) → Metropolitan District Formed



Key features of the City's Special District Policy:

- Mill Levy Caps:
 - Maximum Debt Mill Levy: 50 mills
 - Maximum Operating Mill Levy (Residential): 20 mills
 - Maximum Operating Mill Levy (Commercial/BID): 10 mills
- Mill Levy Imposition Term: Maximum 40 years for residential districts
- Model Service Plans for different types of districts
- Budget Committee Review prior to City Council consideration
- Disclosure and Communication Requirements: Districts must maintain websites with comprehensive financial and governance information



Benefits

Potential Benefits

- Growth paying its own way:
 - Metro Districts: Only the property owners within the district boundary who are using the services and infrastructure pay the mill levy
 - Tax Increment: Taxes paid within the boundary of a plan area are directed back into that plan area to pay for infrastructure that facilitates and catalyzes private investment
- Financing infrastructure outside the City general fund:
 - Both tools provide a mechanism for financing necessary public infrastructure without drawing on the City's general fund resources
 - Private development drives the revenue that pays for the public improvements needed to support that development



Drawbacks

Potential Drawbacks

- Proliferation of governmental entities
 - Can confuse residents and taxpayers
- Need for Transparency
 - Arguably addressed by significant legislative activity in recent years

Other Resources

- Special District Association (SDA)
 - www.sdaco.org
- Colorado Department of Local Affairs (DOLA)
 - <https://www.colorado.gov/pacific/dola/special-districts>
- Metro District Education Coalition (MDEC)
 - <https://www.metrodistricteducation.com/>



Thank you

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