

Bond Case Briefs

Municipal Finance Law Since 1971

Auditor: TIFs good for Denver

Tax-increment financing use by the Denver Urban Renewal Authority has been good overall for Denver, according to a new white paper by the Denver auditor's office.

The sometimes controversial urban-renewal tool has been used to redevelop many areas in Denver. An audit shows that 42 tax-increment financing districts in place between 2004 and 2014 showed that TIF areas and projects were generating significant revenues and that overall, 80 percent of the total TIF amount outstanding has been paid off.

Tax-increment financing defers taxes for property declared as blighted for a specified period of time, allowing developers to invest in improvements on property that otherwise wouldn't be developed. The smaller tax burden leaves more money available to finance the project and often is the difference between whether a project gets built or not.

Proponents of TIF say that it draws developers that might not otherwise be interested in a particular project or piece of property, but it hasn't been without controversy.

Opponents say such programs need more oversight and unfairly allows cities to make tax decisions that impact counties, school districts and other taxing entities.

Of the 42 projects analyzed by the auditor's office, 31 of them are still considered active. Of those, eight have generated more tax revenue than the original amount of the TIF, the report said. These projects have resulted in total tax collections of \$446 million from 2004 to 2014, exceeding the \$385 million in TIF initially awarded to them.

Another 23 TIF districts are partially repaid, ranging in percentages paid back between .02 percent and 96 percent. Eight of these fall on the very low end of the spectrum for repayment, from .02 percent to 25 percent and have an average remaining term of 17.6 years.

Seven TIF districts are between 25 percent and 75 percent paid back, according to the auditor's report. Finally, five active TIF districts have paid back 75 percent or more of their TIF.

Two TIF districts in Denver are performing "marginally," the report said.

Alameda Square, at West Alameda Boulevard and South Zuni Street received \$7.3 million in tax increment financing, of which 40 percent has been paid back. A Lowe's home improvement store that was once the anchor of the redevelopment closed, leaving the building vacant for years until it was acquired earlier this year. Costco Wholesale Corp. has plans to open a Costco Business Center there.

The Cherokee redevelopment site, formerly the Gates Rubber Plant, is also listed as a "marginally" performing TIF district, with 1.8 percent of its \$85 million in TIF paid back, with 13 years left on its TIF term. Last September, the site was acquired by Frontier Renewal which is working on plans to develop the highly anticipated site into a mixed-use, transit-oriented development.

“As this analysis shows, TIFs over the last decade have not only met their pay-off obligations, they have in some cases generated additional tax revenue prior to their pay-off dates,” said the auditor’s report. “More importantly, because the properties were generating limited or no tax revenue prior to TIF funding, the projects have provided additional tax revenue to help the city and county of Denver.”

Other parts of the metro are beginning to raise concerns about tax-increment financing. Littleton recently passed a ballot measure that will allow residents to vote on any TIF deal by the city, and Wheat Ridge plans to vote on a similar measure this November.

Likewise, Northglenn and Glendale have recently been involved in eminent domain struggles, another component in urban-renewal law that is often contested.

Earlier this year, the state Legislature passed, and Gov. John Hickenlooper signed a controversial piece of urban-renewal law that gives non-city entities such as counties and special districts three voting seats on 13-member urban renewal authorities that have been formed by municipal officials.

Development officials and financiers said at the time of the bill’s signing that it could bring high-profile projects, including the redevelopment of the Gates Rubber site, to a halt.

KATHLEEN LAVINE | DENVER BUSINESS JOURNAL

Jul 20, 2015, 2:19pm MDT

Copyright © 2024 Bond Case Briefs | bondcasebriefs.com