Tax Increment Financing
Tax Increment Financing (TIF) is a tool of urban renewal that allows an urban renewal authority to leverage future increased sales and property taxes to help finance urban renewal projects. TIF funds can be generated using sales and/or property taxes in the redevelopment area. When an urban renewal plan is adopted, a tax base for that area is established and the existing taxing agencies (counties, metropolitan districts, schools, etc.) continue to receive that tax base during the urban renewal period. As redevelopment happens, any of the incremental taxes collected above that base amount are invested in the redevelopment itself, through infrastructure, environmental remediation, or other amenities for the public good.

What is Blight?
"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."
Factors of blight determination, under C.R.S. 31-25-103, include:

- 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 nonmarketable
- The existence of conditions that endanger life or property by fire or other causes
- Environmental contamination of buildings or property
- 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/inadequate facilities
- 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.

Can a property be condemned?
Yes, the URA has the power of eminent domain, but rarely uses it. Five of the Eleven 'Blight Factors' (C.R.S. 31-25-105.5(a)) must be present **before** the URA can utilize eminent domain.

Eminent Domain is the authority of a government agency to acquire property for public purposes (not to be confused with meaning public buildings and improvements only). The term is also known as condemnation.
Urban Renewal Authorities have the ability to declare eminent domain however, in order for an Urban Renewal Authority to use the powers of eminent domain to acquire properties, 5 of the 11 blight factors must be present (C.R.S. 31-25-105.5(a)).

What is Tax Increment Financing? (TIF)
Tax Increment Financing, known as TIF, is used to fill the gap between the total cost of the redevelopment project and the level of private financing it can support. Under this financing tool, the level of property tax and/or sales tax collected before redevelopment is used as a base and the new tax revenues expected are estimated. The difference between the base and the increase in taxes collected as a result of the redevelopment project is the tax increment.
The Colorado General Assembly has authorized the use of a form of financing known as "tax increment financing" by urban renewal authorities (URA) and downtown development authorities (DDA) in the State of Colorado.
Tax increment financing (TIF) provides a method whereby certain types of public improvements intended to promote urban redevelopment may be financed through the issuance of tax exempt revenue bonds. It involves the creation of a special fund comprised of increases in ad valorem property taxes or municipal sales taxes, or both such taxes, generated within the tax increment financing area. The increases in such taxes presumably occur as a result of the expenditure of bond proceeds. The increases in tax proceeds are then pledged to pay debt service on the bonds.
A URA plan may contain a provision that property taxes levied upon taxable property in the urban renewal area (TIF area) after the effective date of the plan may be split between the authority and local taxing entities for a period that cannot exceed 25 years. A DDA plan may contain a provision that property taxes levied upon taxable property in the downtown

development area (TIF area) after the effective date of the plan may be split between the authority and local taxing entities for a period that cannot exceed 30 years, except when a 20-year extension is enacted pursuant to 31-25-807(3)(a)(IV), C.R.S.

The division of property tax is made according to the "base" valuation of the area and any "increment" valuation that may have occurred in the area.

The base valuation of the tax increment area begins as the total assessed valuation of all taxable property last certified by the assessor prior to the effective date of the approval of the urban renewal or downtown development tax increment financing plan. All property taxes attributable to the base valuation are paid to each taxing entity (school district, county, city, etc.) within the area according to the mill levy rates fixed each year by or for each such political body.

The "increment" valuation of the tax increment financing area is the amount of assessed valuation, if any, which exceeds the base valuation. All property taxes attributable to the "increment" valuation are paid into the special fund of the URA or DDA to pay debt service on the bonds and other indebtedness.

Is TIF used in every project?

No. TIF must be requested through an application process and final approval is determined by the URA Board. If a project is approved, it must prove financial limitations to proceed, namely that it could not redevelop without public investment. This is formally known as the "But For" analysis. Through this process, project financing must prove public dollars will be spent to fill the gap between the total project cost and the level of private financing the project can support.

TIF dollars are typically reserved for projects that offer a greater community benefit. The project must go through the public process before TIF can be utilized in project financing.