

TIF For Wheat Ridge Development – Still Useful?

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By Mike McKibbin February 13, 2018

For every \$1 in tax increment financing the City of Wheat Ridge approved for several development projects, private investors put \$13 into the pot. While city officials are proud of that fact, others look at the use of the growth and renewal funding method as improper and outdated.

Tax increment financing, or TIF, allows an urban renewal authority to use net new tax revenues generated by projects within a designated area to help finance improvements. TIF is a new source of tax revenue, not an added tax, that would not be available but for new investment, according to a definition from the Denver Urban Renewal Authority.

When a redevelopment project is proposed, the amount of added property and/or sales taxes that may be generated upon completion is determined. That “tax increment” is then used either to finance the issuance of bonds or to reimburse developers for some of their project costs. In either case, that new tax revenue must be used for improvements that have a public benefit and support the redevelopment effort, such as site clearance, streets, utilities, parks, the removal of hazardous materials or site acquisition.

Wheat Ridge has had an urban renewal authority – Renewal Wheat Ridge – since 1984. The authority can help address development in five city council-approved urban renewal plans: the Wadsworth Boulevard Corridor, from 35th Avenue to 44th Avenue; the West End of 38th, four parcels at 38th Avenue and Upham Street; the 38th Avenue Corridor, between Sheridan and Wadsworth boulevards; West 44th Avenue and Ward Road; and the Interstate 70/Kipling Corridor, nearly 1,200 acres north of I-70 at 32nd Avenue to 26th Avenue.

Steve Art, executive director of Renewal Wheat Ridge and the city’s economic development manager, said the last change to those plans was in December 2015.

“When those plans are formed, it’s not with any specific projects in mind,” he added in an interview.

Renewal Wheat Ridge lists eight projects on its website, from 2007 through this year, with one – Town Center North – not receiving TIF money. Instead, the city bought and cleaned up the land, then resold it for development.

Projects that did receive TIF money included Wheat Ridge Cyclery, Perrin’s Row, Kipling Ridge Shopping Center, Hacienda Colorado Restaurant at Applewood, Corners at Wheat Ridge, West End 38 and a traffic signal at 32nd Avenue and Xenon Street at the Applewood Shopping Center.

Those projects received a total of \$12.8 million in TIF money, along with nearly \$164 million in private investment money.

In the Town Center North project, Renewal Wheat Ridge bought land that housed a contaminated transmission shop, antique shop and closed retail outlets. Renewal Wheat Ridge cleaned the site, created a subdivision, completed all the infrastructure, found a developer and created 188 affordable apartments for active adults. That was done for \$3.9 million in city funds and \$25 million in private investment money.

TIF money: economic development or not?

Art stated the use of TIF money is “not really for economic development.”

However, an August 2017 document on the city website, entitled “Economic Development Main Story August 2017,” stated the use of TIF money “has proven to be a powerful economic development tool in Wheat Ridge, transforming vacant lots into thriving residential communities and bustling retail hubs.”

Art is quoted in the document as noting Renewal Wheat Ridge “is getting more aggressive about using TIF for economic development efforts – even for smaller projects.”

“Our board recognizes the advantages of using TIF to assist projects to fill in any missing funding gaps,” Art is quoted in the document. “Development can be very expensive, and these projects would not come to fruition without some type of public assistance.”

Tim Rogers, the chairman of the Renewal Wheat Ridge board at the time, is quoted in support of TIF money as “a perfect example of reinvesting in a neighborhood to improve it. I am excited about the future of this type of reinvestment increasing for the city as we start to generate revenue from other projects.”

Rogers added that TIF funds will become more crucial in future years, as the city focuses on attracting development that will create jobs for the local economy.

“We need more employment opportunities within the City of Wheat Ridge that can support a family and that means something above service-level jobs,” said Rogers. “The city is working hard and rolling up its sleeves and competing as best it can to attract those businesses.”

TIF has ‘outlived its usefulness’

Some government-watching and think-tank organizations, such as the Independence Institute, have criticized the use of TIF money for economic development.

“It was to address slums, blight and areas that endangered public health and welfare,” spokesman Mike Krause said in an interview. “The language specifically mentioned people living in squalor. I think while you might find a few isolated places where that is still the case, TIF is something that’s really outlived its usefulness.”

Urban renewal authority language in state statutes requires a project be located in a “blighted area,” or “an area that, in its present condition and use ... 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; ...”

Krause also noted the funding method unfairly keeps other taxing entities – such as water, fire and school districts – affected by a new project from receiving enough increased tax revenue to pay for the increased service costs while the bonds are being paid off.

“So those other entities must either cover their added costs or go to voters for a tax hike,” he added. “It’s actually a tax hike without a vote.”

Krause said the state legislature had recently amended urban renewal authority statutes to help address that funding issue. Now, sponsoring governments must enter into revenue sharing agreements with affected entities on new TIF arrangements.

Krause also referred to a recent Jefferson County District Court ruling that invalidated Wheat Ridge voter-approved restrictions that would have required any TIF agreement over \$2.5 million be approved by city voters. District Judge Margie Enquist ruled the city measure could not pre-empt the state’s supremacy on the issue.

“What we want to see is free market growth, but TIF uses privatized profits for socialized risks because it’s spread out among taxpayers,” Krause added. “It’s kind of like the chicken and the egg. Developers say if there is not TIF money, projects won’t get built. But maybe that’s just in the first place. Projects most likely will get built, but politicians want them built now.”

Krause also noted the cities of Estes Park and Castle Pines dissolved their urban renewal authorities in 2010, while the state of California outlawed TIF funding.

“They did that because it was a success,” he said. “It eliminated squalor, slums, and blight. We think Colorado should do the same. If local governments want to use their own money for economic development, they can do that. They don’t need an urban renewal authority or TIF money, and they can answer to their own taxpayers. And in this booming economy we have right now, we should we pay developers to build?”