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SUPPORT HB10-1107

Concerning Limitations on the Inclusion of Agricultural Lands Within Urban Renewal Areas
(Rep. Fischer, Sen. Carroll M.)

The Colorado State Fire Chiefs Association (CSFCA) supports HB10-1107 as it addresses some of the impact of TIF on fire protection districts. While HB10-1107 helps address the impacts of using URA and TIF for development of agricultural land, the CSFCA would like to go on record concerning the general impacts of TIF on fire protection districts.

How Fire Districts Are Impacted by TIF. Since fire protection districts rely almost exclusively on property taxes to fund capital improvements and operating expenses, the impact of losing this revenue to TIF can be significant. Fire protection districts are one of the few taxing entities that cannot “make up” the loss of property tax revenue by some other means, such as the imposition of infrastructure development and service fees, or through the denial of service to the developing area.

The impact of TIF on fire protection districts varies considerably by what is included in URA. The provision of fire and related emergency services is highly dependent upon having the proper deployment of resources, i.e. adequately located fire stations, housing the proper type of apparatus (engines, aerial apparatus, medic units), staffed with sufficient personnel. The sufficiency of this deployment of resources is heavily influenced by the nature of the risk being protected and the demand for service. For example, high density multi-family developments typically have a much greater demand on the fire protection infrastructure than does a low density office complex.

In cases where a URA is created for the traditional purpose of redeveloping a slum or blighted area, and the proposed redevelopment will consist of essentially the same type of occupancies as previously existed, and the fire protection infrastructure already exists to serve the redeveloping area, the use of TIF to fund the URA will likely have little adverse impact on the fire protection district. However, in cases where an urban renewal area includes properties already proposed for development, such as vacant land that abuts or surrounds existing development, for which the fire protection district has planned for or already made capital facility and equipment investments to serve, it is likely that the fire protection district is relying on the tax increment to help pay for these improvements, as well as the inflationary increases in operating expenditures.

The Impact of TIF for Greenfield Development. These impacts are even more pronounced in situations where URAs and TIF are utilized for the development of agricultural lands or greenfields, especially when these are located in areas of the district where no fire protection infrastructure exists.

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One reason this practice is so controversial is that the proposed development would be built upon property that presently generates little tax revenue and any increase in tax revenue would be diverted into a tax increment financing fund. This "increment" thus would leave fire protection districts without funding from the developed area that is necessary to provide fire and related emergency services.

Example of Impact¹

Consider the case of a 5 acre parcel of "Greenfield" with an actual value of \$375,000 (assessed value of \$108,750). A 7.687 mill levy² would generate \$836 annually for the fire district, and would typically require very little in terms of fire and emergency services.

If a "big box store" came in on that property through the normal development process and the actual value of the land and improvements increases to \$9 million (\$2,610,000 assessed value), the fire protection district would receive \$20,063 annually in property taxes to provide for needed capital improvements and meet the increased service demands created.

However, if a "big box store" came in on that property through a URA and TIF, and the value increases to \$9 million, the fire district would only receive the property taxes off the base value, or \$836 annually, and the "increment" of \$19,227 annually would go to the URA. Over the course of the 25 year life of the URA, the fire district could lose up to \$480,668 in property tax revenue from this one parcel. This would leave the fire district without the ability to provide for needed capital improvements and increased operational costs, without shifting the burden to taxpayers of the district outside the URA.

The CSFCA believes the conditions proposed by HB10-1107 for the inclusion of agricultural land in a URA will help to reduce the number of situations where there is no fire protection infrastructure in place. Further, the requirement that agricultural land be valued at its market value for determining the base amount of taxes to be paid to taxing entities will help to reduce the financial impact on fire protection districts.

In conclusion, while HB10-1107 is not an end-all solution to the impact of TIF on fire protection districts, or even address all of the impacts of using URA and TIF for development of agricultural land; it helps to reduce the impacts. For this reason we urge your favorable consideration of this bill.

¹ This example does not take into consideration the taxable value of personal property, nor does it consider increases or decreases in base valuation due to biennial reassessments. Colorado law provides that upon a general reassessment of property, the assessment roll is adjusted proportionately every two years between the Base Assessed Valuation and the TIF Assessed Valuation so that any increases in assessed value that do not result from new taxable construction after the Plan is approved are shared by URA and the taxing bodies.

² A levy of 7.687 mills represents the median 2008 mill levy for the 71 fire protection districts located in Adams, Jefferson, Arapahoe, Douglas, Weld and Larimer Counties.