

10 FREQUENTLY ASKED QUESTIONS ABOUT URBAN RENEWAL

1. What is urban renewal?

Urban renewal is primarily the act of revitalizing a failing urban area in order to restore economic vitality and improve the safety of the area, although the urban renewal statute is flexible and can be used for development, as well as redevelopment. Understanding that redeveloping urban areas is much harder and more expensive than new development, Colorado has empowered local authorities with certain tools, including eminent domain and tax increment financing, to encourage urban renewal activities. All 50 states have some form of urban renewal law.

2. Why is urban renewal important?

Urban renewal is critical to the success of local communities and the long-term prosperity of citizens living in urban areas. Without urban renewal, there would be no incentive for developers to tackle the challenges associated with redevelopment, and our deteriorating downtown areas would be subject to increased crime and safety problems, while continued growth on the fringes of communities would add to the problem of urban sprawl. But thanks to the urban renewal, cities and towns across the state have been able to save older parts of town and make significant improvements to their communities.

3. What is eminent domain?

Eminent domain is a tool of urban renewal that gives local governing bodies, including urban renewal authorities, the right to assemble private property for the purpose of accomplishing a necessary public benefit project. The law of eminent (condemnation) may only be used to benefit the public and requires that the private property owner be justly compensated for their property, meaning that he or she must be paid fair market price for the property.

4. When is eminent domain used?

Eminent domain is used in rare and exceptional cases to make difficult projects work. In most cases, the local authority is able to reach an out-of-court settlement with the private land owner. In cases where eminent domain is used, the local authority is required by law to pay the land owner fair market value for the property and almost always also provides generous relocation packages to the property owner.

5. What is “blight”?

Blight is the legal term given to a piece of property when four of the 11 criteria outlined in the statute are met. These factors range from dilapidated buildings, to land title problems, and collectively must be considered to be a threat to the health, safety, peace or welfare of a community, in order for a finding of “blight” to be made.

6. What is tax increment financing?

Tax Increment Financing or TIF is another tool of urban renewal that allows a local authority to leverage sales and property taxes to help finance projects such as infrastructure development or environmental clean up.

7. How does tax increment financing work?

When an urban renewal project is being planned, the local authority performs an economic analysis to determine how much additional property and/or sales tax should be generated once the project is complete. The projected tax revenue increase, called a tax increment, a portion can then be used to either finance bonds or reimburse developers for some of their project financing.

8. Under what conditions can a city take land for an urban renewal project?

A city can only take property for urban renewal once the property has been declared blighted – and property can only be blighted if it meets four out of 11 criteria – and only for the purposes of creating a public good. Contrary to popular belief, a local authority cannot take property away only to generate more tax revenue.

9. What happens to the people who lose their land in urban renewal projects?

Most people enter into a settlement agreement with the local authorities in which they agree on a package of financial benefits and, in many cases, the land owners end up better off than they were before. Even those people who go through eminent domain come out with at least fair market value for their property and generous relocation packages.

Between 2000 and 2002, the Arvada Urban Renewal Authority (AURA) purchased 50 parcels of land and relocated approximately 75 families from 16 apartment buildings and 15 single-family houses in southeast Arvada, as part of the Water Tower Village redevelopment project.

Jan O'Quinn was one of the residents relocated as part of the project. Jan rented a two bedroom, one bathroom house in the Water Tower area with her sister and brother for 14 years. She worked in Aurora and battled the long commute with rush hour traffic and sunshine slow downs for years. Through the urban renewal process, AURA helped Jan purchase a two-bedroom condominium in Aurora, making her a first-time homeowner in a neighborhood closer to her job.

“At first I thought that the urban renewal process was bad, but it turned out to be good,” Jan notes. “I never would have been able to buy my own place - I'm happy with the way it turned out.”

10. Why can't the private sector take care of the problem?

Redeveloping land is considerably more difficult than developing new property. Previously developed sites often lack necessary infrastructure, access and improvements to make them useable. Additionally these sites are often burdened with contamination from years of neglect or through prior uses. With such problems plaguing the sites, there is no demand for the property and the market fails to support it. The tools provided to local authorities through urban renewal are the only way to support the redevelopment of such sites.