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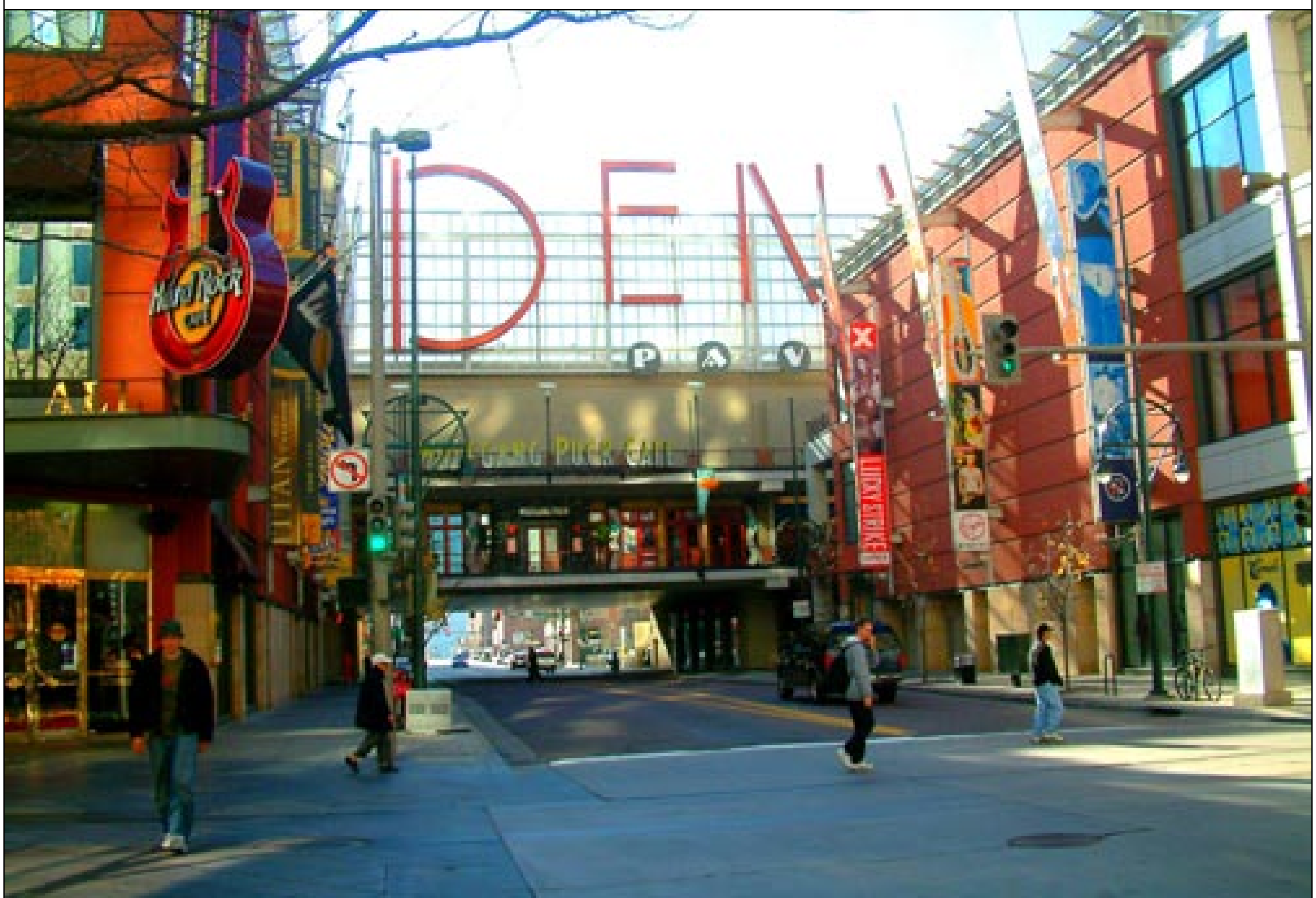
New Urban Renewal in Colorado's Front Range



by Jennifer Lang
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Cover: The Denver Pavillions, a shopping mall supported with more than $30 million in urban-renewal funds. City of Denver photo.

Your tax dollars at work: Denver spent close to $300 million subsidizing row houses and other high-density, mixed-use developments at Stapleton.

Introduction

Colorado is home to more than four million people with most of the population settled along the Front Range of the Rocky Mountains between Fort Collins and Colorado Springs. At the center of this region is the mammoth city of Denver and its numerous sprawling suburbs. From Aurora to Wheat Ridge, more than forty cities and seven counties make up the Denver metropolitan area.

Colorado law gives cities the right to form *urban renewal authorities* that can use public money to eliminate blight and promote urban revitalization. About half of the cities in the Denver metro area have created such an authority (see list in appendix I).[1]

Despite its good intentions, urban renewal can have many unintended consequences, one of which is that it gives planners opportunities to impose their vision of how Coloradans should live. This paper examines some of the urban renewal authorities along the Front Range, evaluates the processes used to advance development, and describes how these authorities are affecting the landscape of the Denver metropolitan area.

Urban renewal puts municipal government in the development business. The Denver Urban Renewal Authority candidly describes itself as a "civic entrepreneur."[2] The original purpose of such urban renewal was to take blighted and run-down neighborhoods and districts that were attracting little or no private investment and stimulate the transformation into attractive, thriving areas.

In recent years, however, urban renewal is increasingly used for another purpose: to shape development that would have taken place in any case so that it follows the latest planning fads instead of market demands. Whether a neighborhood is blighted or not is less important than whether planners have decided to transform the neighborhood to meet their vision of what a residential or business district should look like. Developers who might build to meet market demand are encouraged by subsidies instead to build to follow planners' dreams.

This trend is likely to accelerate with passage of the FasTraks rail transit program. Part of this program calls for concentrating development within a quarter- to a half-mile of rail stations so that more residents and businesses can be accessible to rail transit. Residents of neighborhoods near planned rail stations are likely to find planners declaring their neighborhoods to be blighted so that the cities can use urban-renewal money and eminent domain to transform the neighborhood.

Traditional urban renewal has been criticized for eliminating affordable housing and eating into property taxes that would otherwise go for schools, fire, police, and other essential services.[3] This new form of urban renewal will likely create additional controversy by subsidizing unmarketable transformations of neighborhoods that, by most measures, are far from blighted solely because those neighborhoods happen to be near a planned rail station.

Move to Colorado, the land of wide open spaces, so you can live in a row house?

Urban Renewal Authorities

Whether they are called an *urban renewal authority*, *economic development authority*, *redevelopment authority*, or *downtown development authority*, most Colorado development authorities operate under similar laws. Whatever the name, the urban renewal authority consists of a commission that is either identical to or appointed by the city council.

The commission can identify urban renewal districts in which it plans to target assistance for redevelopment. In order to qualify as an urban-renewal district, the commission must show that the area is *blighted*.[4] Under Colorado law, the following conditions are characteristic of blighted areas:

1. Slum, deteriorated, or deteriorating structures;
2. Predominance of defective or inadequate street layout;
3. Faulty lot layout in relation to size, adequacy, accessibility, or usefulness;
4. Unsanitary or unsafe conditions;
5. Deterioration of site or other improvements;
6. Unusual topography or inadequate public improvements or utilities;
7. Defective or unusual conditions of title rendering the title nonmarketable;
8. The existence of conditions that endanger life or property by fire or other causes;
9. 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 or inadequate facilities;
10. Environmental contamination of buildings or property; or
11. 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.[5]

The law requires urban renewal authorities to find at least four of the above eleven conditions before the authority can take land by eminent domain. However, the use of vague and unclear terms such as "inadequate street layout," "faulty lot layout," and "inadequate public improvements" allow planners to declare just about any neighborhood as blighted. As one Louisville resident complained during a debate over an urban-renewal plan, such conditions could be found in "virtually every neighborhood in Louisville."[6] Despite the prevalence of such "blight," Louisville was named one of the "five best cities to live" in the U.S. by Money magazine in 2005.[7]

Moreover, an authority can also declare an area blighted even if it meets only *one* of the above criteria provided that the landowner is willing to agree that "in its present condition" the property "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."[8] This allows canny landowners to have their property declared blighted due to, say, a "faulty lot layout" or "inadequate street layout," and then receive subsidies for whatever development the city wants them to build on that property.

To fund urban renewal, the commission cannot increase property taxes, but it can keep the property taxes collected on all new or *incremental* development within a district for up to twenty-five years. This is known as *tax-increment financing* (TIF) because the urban renewal is financed out of the increment that is added to the tax base after the district is created.

If the development includes retail shops, the authority can also increase the local sales tax and use that sales tax for urban renewal. This sales tax is known as a *property-improvement fee* (PIF). To keep local retailing competitive, some authorities have offset this increase with a reduction in the sales taxes that otherwise would be spent on other municipal needs.

Typically, the commission estimates the amount of taxes that will be collected from the new development and then sells bonds that will be repaid by those taxes. The proceeds from bond sales are then invested in the district to promote redevelopment. In the case of a downtown development authority, a vote of the people is required to approve bond sales; in all other cases, no such vote is required.[9]

The commission can use eminent domain to purchase property in urban-renewal districts and can use tax-increment financing to fund such purchases. It can also use such money to add infrastructure or as direct grants to developers to encourage them to redevelop the area.

As a cure for urban blight, urban renewal has a dubious history. What some people call "blight" other people call "home." Between 1950 and 1980, urban renewal displaced around one million families. Since 80 percent of them were black, urban renewal was sometimes called "Negro removal." Since urban renewal often replaced slums with luxury housing, one study found that urban renewal "succeeded in materially reducing the supply of low-cost housing in America."[10] Another study concluded that urban renewal cost the average displaced family "20 to 30 percent of one year's income."[11]

In 1961, an architecture critic named Jane Jacobs fought an urban-renewal project that threatened to wipe out her neighborhood. Her book, *The Death and Life of Great American Cities*, compared urban planning to "the pseudoscience of bloodletting."[12] Many years later, *The Economist* wrote that Jacobs' book "stopped America's urban renewal movement in its tracks."[13] In fact, urban renewal is alive and well in Colorado.

As of 2005, the city of Denver alone has diverted taxes on $399.5 million worth of improvements from schools and other services to repay bonds sold to subsidize those improvements.[14] That represents 4.47 percent of the total assessed value of all property in Denver. In 2005, these tax diversions cost Denver schools $15.4 million and cost other city services $10.9 million. Assuming an average cost per pupil of $10,000 per year, the school money diverted to Denver urban-renewal projects could have supported about 1,500 students in the Denver school system.

Other Front Range counties are in similar situations: Urban-renewal projects in Broomfield, for example, divert 4.8 percent of property taxes to developers, with similar consequences for Broomfield schools, fire, and other services.[15] In Boulder County, 3.7 percent of assessed value is in urban-renewal districts,[16] while in Jefferson County, 1.6 percent of property tax collections go to urban renewal.[17] In Arapahoe County, just 0.5 percent of revenues go to TIF districts.[18]

Bond sales of $20 million or more for recent urban-renewal projects include:

- $294 million for Stapleton;
- $36 million for the Pepsi Center;
- $35 million for Lowry;
- $33 million for downtown Denver's Adams Mark Hotel;
- $31.5 million for Denver Pavillions on the 16th Street Mall;[19]
- $95.5 million for Belmar in Lakewood;[20]
- $74 million for Northgate in Westminster;[21]
- $40 million for Mandalay Gardens/Shops at Walnut Creek in Westminster;[22]
- $61.8 million for the Arista transit-oriented development in Broomfield;[23]
- $45 million for Arvada city center;[24]
- $36.7 million for the North Washington Street Corridor in Thornton;[25]
- $30.2 million for Englewood CityCenter;[26]
- $20 million for the Boulder Valley Center.[27]

Cities rarely use the entire 25 years available to them to repay these bonds. But, as anyone who has priced a home mortgage knows, when interest and finance charges are added, repayment will ultimately cost far more than the value of the original bond sale. The $39 million bonds for Denver's Lowry redevelopment were paid off in just ten years, but the total cost including interest was $65 million.[28]

Urban-renewal advocates point to revitalized areas, such as the 16th Avenue Mall in downtown Denver, as successful examples of their policies. Yet careful studies of such projects show that they come at a heavy cost. Redeveloped areas consume urban services, such as fire and police protection, sewers, and schools. Yet they make little contribution to such services while their taxes are used to repay bonds. This means that other taxpayers must either accept lower quality services or increased taxes to maintain services.

In Northglenn, for example, the North Metro Fire Protection District recently asked voters for a tax increase to fund their services. Wendy Krajewski, who works for the fire district, explained that one reason for the tax increase was that urban-renewal districts within the fire protection district have cost the district $1.4

Denver spent millions subsidizing expensive yuppie lofts in places like the Denver Dry Building. . .

million a year in lost revenues.[29] In general, growth pays for itself out of new taxes—but not if those new taxes are diverted into subsidizing that growth by paying costs that would otherwise be paid by developers.

A second problem with tax-increment financing is that it is a zero- if not a negative-sum game. It does not typically increase regional growth; it merely channels that growth to selected property owners and developers. Moreover, because it imposes higher overall tax rates, it may actually reduce regional growth.

In addition, repeated use of TIF creates a moral hazard for developers: with so many other developments being subsidized, a developer would be foolish to commit funds to a project that has to compete with one that is subsidized. The result is that developers may actually reduce investments in regions that use TIF.

This is supported by an Illinois study that found, "economic activity that would have occurred outside the TIF district moves inside the district, and less economic activity seems to take place overall than would have occurred in the absence of the TIF district."[30] As another study of 235 cities in the greater Chicago area confirmed, "cities, towns, and villages that had TIF districts actually grew more slowly than municipalities that did not use TIF."[31]

A study in Iowa found that "the overall expected benefits [of TIFs] do not exceed the costs." Instead, the liberal use of tax-increment financing has effectively created an "entitlement for new industry and housing developments."[32]

In other words, developers come to expect that existing residents will subsidize new growth using tax-increment financing and only plan new developments when they can get subsidies.

In recent years, Denver has used tax-increment financing for such things as the Pepsi Center, moving Elitch Gardens to its current location, refurbishing downtown buildings, and building a nine-story parking garage. This raises obvious questions such as:

- What do the owners of Lakeside Amusement Park think about their competitors getting more than $30 million in public subsidies, including a $10.9 million TIF bond?[33]
- What do owners of other downtown Denver parking garages think about the opening of a new $5.8 million garage partly financed with a $2.1 million TIF bond?[34]
- After Denver subsidized the refurbishment of such downtown buildings as the Adam's Mark Hotel, the Denver Dry Building, the Rio Grande Building, and Boston Lofts, why would any owner of a downtown building

. . . and then spent millions more subsidizing a parking garage for urban dwellers to park their SUVs.

be foolish enough to renovate their building without public subsidies?

Urban-renewal supporters often claim that these projects "pay for themselves" because at least some of the bonds sold to subsidize the projects are repaid out of taxes paid on the improvements. But the developments don't pay for themselves because they aren't paying for police, fire, schools, and other things that those taxes would otherwise go for. Supporters respond that, when the bonds are repaid, those government services will receive more tax revenues on the developments than they would have received if the subsidized developments had not taken place. Yet those revenues are in the distant future and depend on the developments' long-term success—something not guaranteed in a world of rapidly changing tastes and demands. Schools and other urban services would be better off getting more tax revenues today on unsubsidized and possibly less elaborate developments than waiting for the promise of more money decades later.

In short, urban-renewal districts create winners and losers. The winners are the property owners and developers who receive the subsidies. The losers are the other property owners and businesses in the city who must pay higher taxes (or receive lower urban services) and whose property values are lower because development that might have taken place on their land has been attracted by the subsidies to the urban-renewal areas. Urban renewal remains politically feasible because few of the losers lose enough to protest while the winners gain huge windfalls and may contribute a share of those profits to particular political campaigns.

Fiscal conservatives and academics are not the only critics of TIF. The Front Range Economics Strategy Center, a progressive group with ties to labor unions, has written a three-part series of reports asking "Are We Getting Our Money's Worth" from TIF and urban redevelopment in Denver. The reports note that most of the subsidies go to national chains, that the jobs at TIF-supported developments tend to pay low wages, and that much of the housing subsidized by TIF is not affordable to ordinary workers.[35]

It is questionable whether taxpayer support is even needed for urban revitalization. Omaha, Nebraska has witnessed the unsubsidized revitalization of a portion of its downtown area known as the Old Market. "All big redevelopment projects are, by definition, high risk, because no one really knows how they will affect city life," says Omaha architect Martin Shukert. "Thus, the truly worthwhile urban renewals are always those that happen gradually and by themselves—by accident, almost."[36] The Old Market was revitalized incrementally, by property owners and developers, in the complete absence of any funding or planning by an urban renewal authority. "The Old Market works because it was never really planned," Shukert says. "A few people took a risk and started opening foreign restaurants and retail stores, and then more did. It was an organic process, not a grand scheme."[37]

Perhaps the biggest urban renewal disaster in Colorado history took place in Englewood. In 1985, the city sold $27 million in bonds to subsidize a retail development known as Trolley Square. Few shops leased space in the development, and by 1991 the TIF revenues were inadequate to cover bond repayments, so the Englewood Urban Renewal Authority defaulted.[38] The development was bulldozed a few years later as an eyesore.[39] Given the huge subsidy, the developer may not have analyzed the market as carefully as someone risking their own money. It is possible that, if no subsidy were available, a development would have taken place on the site that would be productive today.

Urban renewal effectively transfers the risk from a few developers to the taxpayers in general. If an urban-renewal district is a spectacular failure, the authority might default on its bonds. If it is only a partial failure, taxpayers end up receiving lower urban services or paying higher taxes while the urban renewal authority takes more time than expected to repay the bonds. Either way, the developers face far lower risks, which explains why such developments are so popular among the development community.

It is likely that recent nostalgia and market demand for old towns and historic districts could allow gentrification of such areas without any subsidies. But planners today have a more ambitious agenda that goes well beyond revitalizing blighted areas. They want to reshape the way Americans live.

New Urbanism

In the late 1980's, a number of architects proposed that higher density, mixed-use developments would encourage people to drive less and increase residents' sense of community. These ideas became known as *New Urbanism*, and to promote them architects and planners formed the Congress for the New Urbanism in 1993.

Ironically, New Urbanism is partly inspired by Jane Jacobs' book, *The Death and Life of Great American Cities*. Jacobs had argued that the high-density, mixed-use neighborhoods that urban planners had targeted for urban-renewal were not blighted but living, vital neighborhoods.[40] Jacobs specifically warned that her analysis did not apply to the suburbs.[41] Yet today, New Urban planners want to bring the benefits of the high-density neighborhoods Jacobs' fondly described to the suburbs. "There's no question that her [Jane Jacobs'] work is the leaping-off point for our whole movement," says the executive director of the Congress for the New Urbanism.[42]

The Congress for the New Urbanism argues that, "All development should be in the form of compact, walkable neighborhoods and/or districts."[43] They further advocate for "the reconfiguration of sprawling suburbs into communities of real neighborhoods," meaning neighborhoods that meet New Urbanist principles.[44] While some members now explain that this is merely "aspirational," some planners have attempted to promote New Urban development with tax breaks and other subsidies or mandate it through the use of zoning codes. Such coercive planning and zoning has come to be called *smart growth*.

Smart-growth advocates call for reversing the trend of low-density suburbanization, which they say makes Americans too "auto dependent."[45] The goal of smart-growth planning is to provide people with "accessibility in lieu of mobility," meaning that people should be able to reach employment centers, shopping, schools, and recreation areas without driving.[46]

So-called *transit-oriented developments* are an important part of smart growth. These developments are supposed to be dense, with a high percentage of multifamily housing. They are supposed to have mixed uses, so residents can walk to shops and even to work. They are supposed to be pedestrian friendly, so walking and cycling are encouraged as alternatives to driving. These designs all aim to promote "accessibility in lieu of mobility." For times when people want to go beyond the confines of their dense neighborhoods, the developments are supposed to center on a transit station, if possible a rail station. Several cities in the Denver metropolitan area have used urban-renewal funds to build such mixed-use developments, and many more are on the drawing boards.

Planning for transit-oriented developments accelerated with the passage of the $4.7 billion FasTracks referendum in 2004. While rail transit is not a requirement for transit-oriented development, it provides an excuse for cities on FasTraks routes to plan transit-oriented developments near FasTracks stations.

Who will live in these developments? Many planners believe that retiring baby boomers, empty nesters, singles, and childless couples will favor the New Urban lifestyle.[47] While it is true that people who live in New Urban communities have few children, this does not mean that everyone without children wants to live in a dense, mixed-use neighborhood. Polling done for the National Home Builders Association and National Association of Realtors found that only 18 percent of Americans aspire to live in a "home in the city, close to work, public transportation, and shopping." The remaining 82 percent prefer a single-family home in the suburbs.[48]

The Denver metro area already has more than enough multifamily housing to saturate the demand for such a lifestyle. This would explain why the region has a glut of condominiums on the market, a glut that has caused realtors to coin the name "Condo-rado."[49]

Nevertheless, the Denver Regional Council of Governments (DRCOG) envisions that, by 2030, "the Denver region will be a dynamic mixture of distinct pedestrian-friendly urban and suburban communities within a limited area."[50] To give people an extra incentive to live in high-density developments, DRCOG has drawn an urban-growth boundary outside of which development is limited or forbidden. DRCOG's Metro Vision 2030 plan specifically calls for increasing the regions' population density by 10 percent and building homes on smaller lot sizes and more multifamily housing throughout the region.[51]

The growth boundary creates a land shortage that limits the low-density "sprawl" that most Americans prefer but planners dislike. The Denver metro area has "the highest housing prices of any state without a coastline," says Metro Denver Chamber of Commerce Executive Vice-President Tom Clark.[52] These high housing prices are a direct result of the growth boundary and other land-use rules (such as growth limits in Boulder and Golden).[53] The dirty secret of smart-growth planning is that such unaffordable housing encourages people who would otherwise prefer low-density neighborhoods of single-family detached homes to live instead in transit-oriented developments.

Still, given the condo glut, artificially high prices for single-family homes aren't enough to create an unlimited demand for housing in transit-oriented developments. Another goal of the Metro Vision 2030 plan is to build some 70 high-density, mixed-use "centers" in the region, many of which will be on planned FasTracks lines.[54] To encourage developers to build this many developments with limited market appeal, many cities in the region recognize that they will have to use urban-renewal funds, including TIF and PIF, to subsidize them.

The arguments in favor of transit-oriented development are circular. One of the justifications for FasTracks was that it would enhance the value of transit-oriented developments then being planned. With regard to a transit-oriented development in Arvada, a pro-FasTracks report stated, "If new transit is not brought into the Ridge Home development, the development timeline and mix of uses [in the development] would likely need to be revised."[55] Now that FasTracks has been approved, RTD argues that more transit-oriented developments are needed to make FasTracks work.

RTD's *Strategic Plan for Transit Oriented Development* calls for such developments around most FasTracks stations. The document notes that cities "can use tax increment financing as a funding mechanism" and that "RTD will support requests by local jurisdictions for the ability to use" TIF and (by reference to "future retail uses") PIF.[56]

The city of Denver is planning transit-oriented developments around nearly thirty FasTracks stations within the city limits.[57] The city says that it plans to use TIF to fund such things as "affordable housing, parks, plazas, street improvements and public parking" in these developments.[58] The city of Longmont expects to use at least $500,000 in TIF and to waive $820,000 in fees to subsidize redevelopment of the "Flour Mill" area, which is on a planned FasTracks line.[59]

To see what these developments might be like, it is useful to examine recent developments built by urban-renewal authorities in Denver, Lakewood, and Louisville.

Denver

The city and county of Denver currently has twenty tax-increment finance or TIF districts (see appendix II). The two largest developments are the former Lowry Air Force Base and the former Stapleton Airport. The Lowry development is 1,866 acres that are being developed into a mixed-use urban village.

In a typical suburban subdivision, developers pay for the roads, the sewer and water lines, and—if the development is large enough (as the Lowry and Stapleton developments surely are)—even parks and schools. But for the Lowry and Stapleton developments, the Denver Urban

Some of the New Urban housing in Lowry looks little better than the barracks typical of a military base.

Renewal Authority is covering these costs out of bond sales that will be repaid through tax-increment financing.

No doubt many families with children will move to Lowry, but for up to twenty-five years the taxes they pay will not cover the costs of their children's schooling, fire and police protection, public health, or other urban services. Instead, their taxes will be used to repay the $34 million in bonds, plus interest, that subsidized Lowry.[60]

In a *Denver Post* article titled, "Row houses? In Denver?" Lowry development builder Jim Hartman comments "Beforehand, there wasn't enough density, synergy or energy. But what we've been doing in the Town Center neighborhood is creating a more modern European mix, so now we can create this mixed-use thing all in one building." Yet he conceded "that it took awhile for the concept to take hold," suggesting that initial sales were slow.[61]

At 4,700 acres, Stapleton is even larger than Lowry and is supposed to be the nation's largest infill development. Considering Denver's hot housing market, developers would have been eager to build single-family homes on large lots in the area. But Denver wanted the development to follow New Urban principles, so it declared the area blighted. This allowed the city to subsidize homes that might otherwise be less marketable to typical buyers, such as houses on tiny lots and houses in mixed-use developments.

When completed, Stapleton will provide 12,000 homes and apartments, three million square feet of retail space, and ten million square feet of office space. This enormous tract of land has been hailed as the "rebirth of urban America" and "a new direction in the evolution of the American Dream."[62] Forest City Enterprises planned this development with the model of New Urbanism and aim of sustainability.

These Stapleton row houses seem designed with the idea that, if the neighborhood looks enough like Brooklyn, residents will drive as little as Brooklynites do.

According to city of Denver documents, the city sold $75 million worth of bonds in 2001 and $200 million worth in 2004 to subsidize streets, drainage, and other infrastructure. The taxes paid on the new properties will repay the bonds plus 8 percent interest.[63]

"TIF is used only when an area or property can't be redeveloped without public investment," claims the Denver Urban Renewal Authority.[64] But considering Denver's high housing prices, it is inconceivable that developers would not have eagerly redeveloped Stapleton and Lowry without public subsidies. In all probability, such developments would have included homes with large yards, and they would have separated residential from retail and commercial uses. For the most part, they would not have been New Urban developments with tiny lots, excessive multi-family housing, and mixed uses. Urban renewal is no longer about fixing blight. It is about imposing planners' utopian ideals on urban families.

Lakewood

Another example of a redevelopment that would probably have taken place without subsidies is the Villa Italia mall in the City of Lakewood. With the help of a $95.5 million bond to be repaid with TIF and PIF, this 104-acre site was transformed into a New Urban mixed-use development called Belmar. Without the subsidies, redevelopment would probably have taken place, but the new development would probably have been retail and commercial only, with no residential uses.

The Lakewood Reinvestment Authority envisioned this development as a re-creation of a mainstreet-style downtown. In addition to TIF, Lakewood applied a property-improvement fee, or PIF, of 2.5 percent. This is, in effect, an additional retail sales tax to repay bonds used for streets, lighting, sidewalks, and other property improvements. To keep Belmar retailers competitive, Lakewood waived half of the regular city sales tax for Belmar retail purchases. However, total sales tax collections must meet

The Denver metro area has some of the most expensive housing in the nation's interior, a problem that will not be solved by subsidizing row houses that sell in "the $300s."

a minimum threshold before some are used as PIF, and as of 2005, taxes have not reached that threshhold.[65]

Approval for Belmar, and especially for the $95.5 million in bonds to be financed by TIF and PIF, encountered some resistance from local residents and other government agencies. The West Jefferson County Metro Fire Protection District was "shocked" to realize that tax-increment financing would siphon more than $20 million from its tax revenues over the life of the project, including a cost of $108,000 the first year.[66] Some tenants of Villa Italia did not want to vacate, and had to be evicted using eminent domain.[67] Lakewood approved the project despite these problems, making Belmar the most heavily subsidized shopping mall in the Denver metro area.

One of the goals of New Urban development is reduce auto driving by mixing residences with potential employers. However, the latest study about Belmar indicates that only 10 percent of renters and 5 percent of homeowners actually work at Belmar.[68] Of course, the project will not be fully completed until 2010 or 2011.

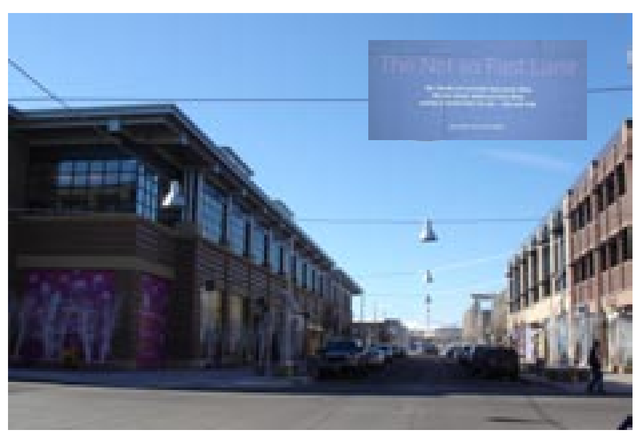
Developers have offered numerous incentives to move into Belmar, such as a free Vespa scooter upon purchase of a condo. Condo prices range from the $200's to the $900's if an unobstructed view of the mountains is desired. Although designed with wide sidewalks in order to be pedestrian friendly, the auto has not been forgotten and is accommodated in numerous parking garages.

Louisville

Another urban-renewal controversy took place in Louisville, a growing city in Boulder County northwest of Denver. A series of three public hearings in late 2006 generated heated testimony from opponents who argued that redevelopment of the former "Pow Wow Grounds," on Colorado 42, did not require a $77.5 million subsidy. The area is near a planned FasTracks line and the redevelopment plan called for building a New Urban, mixed-use development.[69]

After hearing this testimony, the city council initially rejected the plan by a 4-to-3 vote in November, 2006.[70] However, after receiving a report from a consultant that claimed that the project would produce a net increase in tax revenues to the city, the city council approved the plan by a 5-to-2 vote in December, 2006.[71] Yet the study did not ask whether the net increase in taxes might be even greater if redevelopment took place without any subsidies.[72]

At some point, cities in the Denver metro area will saturate the limited demand for New Urban developments, if they have not already done so. This has happened in Portland, which has built numerous transit-oriented developments that suffer from high vacancy rates. Portland also discovered that so-called transit-oriented developments only work if there is plenty of parking.[73] People who are inclined to drive will not give up their cars just because they have been forced by high housing prices to live in New Urban developments.



Belmar has the "skinny streets" typical of a New Urban community on the unverified theory, as stated on the sign (inset), that narrow streets are safer.

Conclusion

Urban renewal has become a way for Colorado cities to coin money. Despite TABOR, it allows them to effectively increase property and sales taxes without a vote of the people. Those taxes then go into a giant slush fund that can be used to support favored developers or the latest planning fads.

The historical argument in favor of urban renewal is that it allows cities to rapidly restore blighted areas. But often, the obstacles to private recovery from blight are not financial but regulatory. Strict planning rules, lengthy permitting processes, and (in downtown areas) congestion are more likely to discourage redevelopment than lack of funds.

When Anaheim, California decided to redevelop its core area, it did so by relaxing such regulations. The only subsidies were fee waivers for home-based businesses and some building permits. The result? Billions in private investments in retail, restaurant, and office space, including the construction of more than a dozen high rises.[74] Yet most cities prefer to promote redevelopment through subsidies rather than by relaxing regulation.

Historically, urban renewal has always raised a number of disturbing questions:

- Why should cities become developers, that is, why should they take risks with taxpayers' money that developers themselves might not take?
- Why should some developers and property owners be favored with subsidies when their developments directly compete with unsubsidized retail, office, and housing projects?
- What happens to the people and businesses evicted by eminent domain?
- What happens when developers refuse to do any more developments unless they are all subsidized?

The addition of New Urbanism into the mix simply doubles the number of disturbing issues. Despite the legal requirements that cities declare an area blighted, no one really thinks that subsidies were needed to stimulate redevelopment of such places as Stapleton Airport or Villa Italia. Instead, it is all about promoting a change in American lifestyles—at taxpayer expense.

- Why should planners be allowed to socially engineer Coloradans so that they live in an environmentally-correct manner?
- Why should Coloradans who want to live a New-Urban lifestyle be subsidized by those who do not?
- Will subsidized New Urban developments produce the benefits claimed for them, such as reductions in per-capita driving?
- What happens when cities saturate the limited demand for such communities?

If areas can be redeveloped without subsidies, planners should not use subsidies to promote their private utopias. If an area cannot be redeveloped without subsidies, cities should examine whether other actions, such as reducing land-use regulation or streamlining lengthy permitting processes, will do as much or more to promote redevelopment as the subsidies. If deregulation is insufficient to promote redevelopment, we have to question whether cities can possibly get their money's worth (or taxpayer's money's worth) from investing in redevelopments that private developers would not do, especially if those developments are primarily aimed at lifestyle changes, not fixing urban blight.

The Center for the American Dream recommends that the Colorado legislature repeal all laws allowing cities to use tax-increment financing and property-improvement fees to finance urban renewal. The legislature should also strictly regulate urban-renewal authorities to insure that they do not invest any taxpayer dollars in projects whose aim is to alter people's lifestyles rather than just restore blighted areas.

Appendices

I. Front Range Urban Renewal Authorities

Aurora Urban Renewal Authority
Broomfield Urban Renewal Authority
Commerce City Urban Renewal Authority
Edgewater Urban Renewal Authority
Federal Heights Urban Renewal Authority
Boulder Urban Renewal Authority
Central City Redevelopment Agency
Englewood Urban Renewal Authority
Fort Collins Urban Renewal Authority
Arvada Urban Renewal Authority
Brighton Urban Renewal Authority
Colorado Springs Urban Renewal Authority
Denver Urban Renewal Authority
Estes Park Urban Renewal Authority
Golden Urban Renewal Authority
Greeley Urban Renewal Authority
Lakewood Reinvestment Authority
Loveland Urban Renewal Authority
Pueblo Urban Renewal Authority
Sheridan Urban Renewal Authority
Superior Urban Renewal Authority
Lafayette Urban Renewal Authority
Thornton Development Authority
Littleton Riverfront Authority
Northglenn Urban Renewal Authority
Sterling Urban Renewal Authority
Westminster Economic Development Authority
Wheat Ridge Urban Renewal Authority

II. Denver TIF Districts

Alameda Square
American National
California St. Parking Garage
City Park South
Downtown Denver
Executive Tower Hotel
Guaranty Bank
Highlands Garden Village
Lowry Urban Development
Mercantile Square
Elitch's
Northeast Park Hill
Pepsi Center
Point Urban
South Broadway
St. Lukes Hospital #1
St. Lukes Hospital #2
Stapleton Development
Westwood
38th and York

III. Current and Recent Urban Renewal Projects in the Denver Metro Area

Arvada City Center
Arvada Ralston Fields
Arvada Jefferson Center
Aurora City Center
Aurora Fitzsimmons Medical Research Campus
Aurora/Fletcher Plaza Original Downtown
Boulder Valley Regional Center
Boulder 9th & Canyon
Broomfield West 120th Avenue Gateway Corridor
Broomfield Hunter Douglas Project
Broomfield Shopping Center
Broomfield U.S. 36 Interlocken Business Center
Broomfield Events Center, Arista TOD
Englewood City Center/TOD
Golden Safeway
Golden Bent Gate/Outdoor Gear
Golden Gem/office/retail
Golden Clear Creek Commons Senior Center
Golden Clear Creek Square/Jackson Ct
Golden Gateway Station/PUD
Lakewood Belmar
Lakewood Creekside (Colfax-Wadsworth)
Thornton 104th to 84th Avenue
Westminster Mandalay Gardens
Westminster NorthGate, 72nd-Federal
Westminster South
Wheatridge Town Center
Wheat Ridge 38th Ave Corridor

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Center for the American Dream of mobility and home ownership

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About the Center for the American Dream

The Independence Institute's Center for the American Dream works to give people freedom of choice in land use and transportation while protecting urban livability and environmental quality. The "dream" of the Center for the American Dream is affordable homeownership, mobility, a clean and livable environment, and personal freedom for all Americans, not just an elite few.

The Center for the American Dream does not advocate that people drive everywhere or take public transit, live in low-density suburbs or high-density urban centers. All of these are legitimate lifestyles. The Center supports free-market solutions to urban problems such as value-priced roads and competitive transit, and opposes coercive planning efforts that attempt to engineer lifestyles through subsidies, regulation, and limits on personal and economic freedom.

About *New Urban Renewal*

Designed to help cities improve blighted areas, urban renewal has often been the source of shady real-estate deals in which a few lucky property owners or developers get heavy subsidies at everyone else's expense. The average property owner loses twice: by having to pay higher tax rates to subsidize the urban-renewal areas and by having lower property values because developments are attracted away from their land to the urban-renewal districts.

Today, urban renewal has morphed into taxpayer support for New Urbanism, a planning concept that calls for high-density, mixed-use developments with narrow streets and, sometimes, limited parking. New Urbanism is supposed to reduce driving, but cities are planning for it without verifying whether it really changes people's travel habits or otherwise improves urban life.

In the Denver metropolitan area, urban renewal financial schemes such as tax-increment financing and property improvement fees are being used to subsidize the construction of New Urban transit-oriented developments along existing and planned rail transit lines. The logic behind such developments is circular: we have to subsidize rail transit to promote a more compact region and we have to subsidize compact development to support rail ridership.

In the end, it is hard to determine what the real goal of New Urban Renewal is other than giving subsidies to a few lucky developers. These subsidies are costing Denver metro-area residents millions of dollars each year, which they must pay either in the form of reduced funding to schools, fire, police, and other urban services or higher taxes.

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