

Overview of Colorado Springs Assessment Districts

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Colorado Springs LIDs and Assessment Districts in General

Local Improvement Districts (LIDs) are special assessment districts that have been used in cities and towns for several decades as a means of assessing specifically benefiting properties for the costs of installing needed infrastructure or upgrading deficient infrastructure such as streets, curbs and gutters, sidewalks and drainage improvements. In non-home rule cities and towns, and those without a Code specifically authorizing them, these types of districts would be referred to as Special Improvement Districts (SIDs). In the City, these districts are authorized by Chapter 3, Article 5, Part 1 of the City Code, as amended. Part 2 of Article 5 addresses the ability of the City to issue public improvement bonds or loans related to the costs of these improvements. Part 3 addresses the process of assessing property for all or a share of the costs of the improvements (as well as financing costs if applicable). LIDs are established by Ordinance. Unlike most other districts, an LID does not exist as a distinct entity. Instead, they operate as a “component entity” of the City with City Council acting as their “de facto” board.

Under current Code, the LID process can be initiated by the City Engineer, City Council or three fourths of the affected property owners (based on the overall amount of the assessment). In each case, what effectively needs to occur is agreement to the assessment by at least half of the affected properties and owners. There are provisions for notice including mailed notice to all potentially affected property owners.

If the LID is created, all or a portion of the cost of the actual improvements is assessed on a proportional basis for each of the included properties, along with any related administrative, bonding and interest costs (if bonds are issued). Assessments are collected by the County Treasurer, separately, but in conjunction with property taxes. The LID is considered an administrative function and is controlled by the City.

Coincidentally, and somewhat confusingly, LIDs are also the name of the Colorado Revised Statutes assessment district option available to counties in C.R.S. Title 30. Colorado Revised Statutes also provide a statutory option for cities and town to create assessment districts. These special improvement districts (SIDs) are further described below.

Statutorily created assessment districts (i.e. municipal SIDs or county LIDs) have the authority to issue debt to finance their improvements with bonds issuances supported by the assessments. However, such issuances are subject to TABOR, including the need to have voter authorization of the debt.

In Colorado Springs, LIDs have typically been used in established neighborhoods as a means of funding a share of public improvements desired by the property owners, and for which the City is not willing or able to permanently fund the entire cost. LIDs are administered by the City Public Works Department. In most cases, the City advance-funds the cost of the projects which are then reimbursed via the assessments. The LID allows for fair share of these costs to be

allocated under various formulas that do not need to include property value. Assessments can be based on per lot, per acre or per front foot or other generally equitable formulas.

The City Code (Chapter 3.5.201) allows for the option of the City issuing bonds or loans to finance the identified improvements, and allocating the debt repayment costs to the assessed properties. In this case a successful vote to authorize the indebtedness is required.

The term of the LID assessments is normally limited to ten years, but can be extended. Upon completion of the assessments, the LID essentially has no further force and effect, and therefore does not require formal dissolution. The process for establishing assessments for City LIDs is laid out in City Code.

Over time, there have been upwards of 100 different LIDs established in the City. As a historic example, several of the historic medians were originally financed via assessments of adjoining properties. At least from the 1950's, and through the 1980's the City administered an active city-initiated assessment district program, with several LIDs being created each year, and some involving multiple areas of the City. These LIDs typically funded some combination of street or sidewalk improvements, but also regularly incorporated water and sewer infrastructure. When LIDs were formed in the past, in many cases, there was a City or Utilities share of the total costs, with the balance being allocated to the properties via assessments.

There was also a Woodmen Valley LID, which was created in via the Statutory special improvement district (SID) process in 1994 for the purpose of extending water infrastructure to serve about 160 primarily unincorporated rural lots located south of the Air Force Academy. The bonded indebtedness of this LID was paid off in 2010.

Currently, there are no active LIDs in the City. The most recently dissolved LID was the Tejon Street LID which was created for the purpose of financing historic street lighting and was paid off in 2017.

One of the more recent issues with requested LIDs has been an unwillingness of City Councils to approve them without 100% property owner concurrence. In one recent case, City Council declined to approve an LID for historic-looking streetlights in a portion of the Old North End where there were about 85% of the owners in favor. The decision in this case may have been impacted by the nature of the requested improvement as an "amenity" rather than one of bringing the area up to normal City standards.

Staff also suggests the policy, available funding sources and expectations of residents and property owners have all evolved over time to effectively discourage use of assessment districts. There is less often an expectation the individual property owners should be responsible for paying for installation of missing or deteriorated public facilities. Since 2004, the Pikes Peak Rural Transportation Authority has also been available in some cases as an alternate source of funds for transportation-related neighborhood public facility upgrades such as missing or deteriorated sidewalks. Similarly, special tax sources such as issue 2A (and potentially 2C) or the storm water fee (Issue 2A), along with federal funding sources (e.g. CDBG- Community

Development Block Grant funding) are increasingly looked at to provide sources of financing for deficient or deteriorated infrastructure in developed areas.

Special Improvement Districts (SIDs)

SIDs are the version of assessment districts authorized by Title 31 of the Colorado Revised Statutes for municipalities. This mechanism would be used by the City if it utilized a statutory rather than a City Code-based LID approach for assessment districts, as discussed in the prior section. In part because the City uses its own Code-based LIDs, there have not been any SIDs organized in the modern era with direct City involvement. However, in 2002 the Briargate Center BID independently created a SID which is coterminous with their boundaries as allowed under Statute. This action was anticipated as part of the City-approved Ordinance creating that district. This SID continues to assess properties within that BID to service the assessment bonds the BID has uniquely issued. These bonds are projected to be fully amortized in 2028.

Colorado Revised Statutes authorized BIDs to create their own SIDs. However, the standard template for BID Operating Plans and Budgets now requires affirmative City Council approval prior to creation of any additional SIDs in any BIDs.

Creation and operation of SIDs by the City is authorized under Colorado Revised Statutes § 31-25-601 et. seq. A lot of what would need to occur for formation and operation is similar to the process for Code-based LIDs. As with LIDs, the ex officio board of an SID is also City Council. However, in this case the board would have a somewhat more formal role, including needing to convene separately to undertake actions as necessary over the life of the SID following creation.

If the City were to choose to renew the use of assessment districts in the future, SIDs could be