REDEVELOPMENT AGENCY OF CENTERVILLE CITY AGENDA

NOTICE IS HEREBY GIVEN THAT THE REDEVELOPMENT AGENCY OF CENTERVILLE CITY WILL HOLD A PUBLIC MEETING AT 5:30 P.M. ON TUESDAY, JANUARY 28, 2014 AT THE CENTERVILLE CITY COMMUNITY CENTER AND CITY HALL COUNCIL CHAMBERS, 250 NORTH MAIN STREET, CENTERVILLE, UTAH. THE AGENDA IS SHOWN BELOW.

Meetings of the Centerville Redevelopment Agency Board may be conducted via electronic means pursuant to Utah Code Ann. § 52-4-207, as amended. In such circumstances, contact will be established and maintained via electronic means and the meeting will be conducted pursuant to the Electronic Meetings Policy established by the City Council for electronic meetings.

Centerville City, in compliance with the Americans With Disabilities Act, provides accommodations and auxiliary communicative aids and services for all those citizens in need of assistance. Persons requesting these accommodations for City-sponsored public meetings, services, programs, or events should call Blaine Lutz, Centerville Finance Director, at 801-295-3477, giving at least 24 hours notice prior to the meeting.

Tentative
Time:

5:30 **A. ROLL CALL**

B. NEW BUSINESS

1. Presentation by Jason Burningham from Lewis Young Robertson Burningham about the following topics:
    a. Explanation of RDA law, creation and purpose of project areas, tax increment financing concept, etc.
    b. Explanation of Barnard Creek Community Development Project Area
    c. Analysis of Salmon/Pasture development and related request for tax increment financing assistance

7:30 **C. ADJOURNMENT**

Steve H. Thacker
Executive Director

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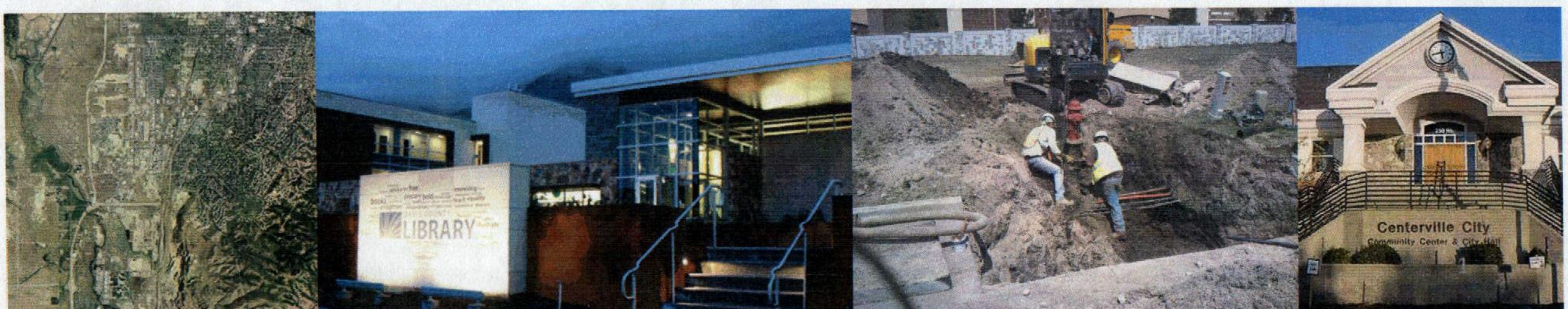
REDEVELOPMENT AGENCY
CENTERVILLE CITY

- ➢ INTRODUCTION TO REDEVELOPMENT PROJECT AREAS
- ➢ BARNARD CREEK COMMUNITY DEVELOPMENT AREA (CDA)
- ➢ SALMON PASTURE DEVELOPMENT ANALYSIS

JANUARY 2014



WE PROVIDE SOLUTIONS

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INTRODUCTION:

Community Development and Renewal Agencies

- Under Utah Code 17C "Limited Purpose Local Government Entities - Community Development and Renewal Agencies Act," Utah's local governments have the authority to conduct economic development activities within their communities through their Redevelopment Agencies or CDRA's.

- Under the act, Agencies are allowed to create three types of project areas:
    - **Community Development Areas (CDAs)**
    - Economic Development Areas (EDAs)
    - Urban Renewal Areas (URAs)

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INTRODUCTION:

Local Government Participation in Economic Development

- If a CDA/EDA/URA is established, tax increment funds become available for a specified period of time to provide local government assistance for:
  - Existing businesses
  - New development
  - Infrastructure improvements
  - Affordable housing
  - Crime reduction
  - Expanded employment opportunities
  - Other community concerns/priorities
  - Street maintenance

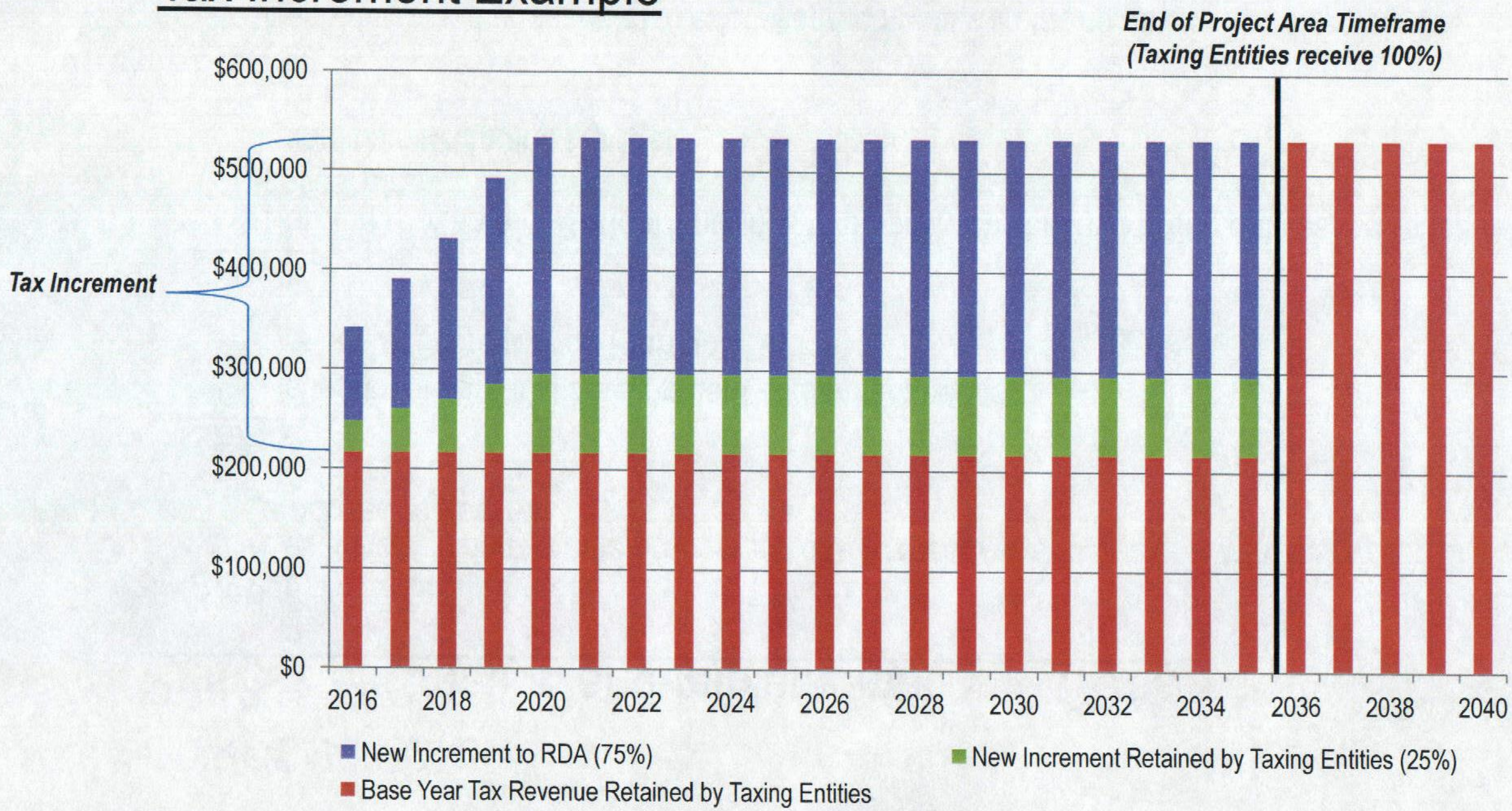
INTRODUCTION:

Tax Increment

- Not the result of a tax increase!
- **Tax increment** is a portion of incremental property taxes generated within a specific project area as a result of *"new incremental development"* that occurs after a "base year value" is set within the project area.
- Agencies use **Tax Increment** funds to promote development within a project area. The primary objectives of this tool are: encourage economic development, remove blight, fund necessary infrastructure, promote community enhancement and betterment, etc.
- **Tax Increment** begins to flow to the Agencies when the project area triggers the flow of funds (Referred to as the "Trigger Date")

INTRODUCTION:

Tax Increment Example



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INTRODUCTION:

Process of Creation and Implementation – CDAs

- **Step 1:**
  - Resolution authorizing the preparation of a **Project Area Plan** along with description of proposed Project Area
- **Step 2:**
  - Research of potential development and project needs
  - Drafting of **Project Area Plan** and **Budget**
- **Step 3:**
  - Noticing of **Plan** and **Budget** (mailings to property owners and taxing entities, newspaper notice, etc.)
  - Adoption of **Plan** and **Budget** by RDA and City
- **Step 4:**
  - Negotiation and adoption of interlocal agreements with taxing entities (timeframe, base year, percent contribution).
- **Step 5:**
  - Consideration of Participation Agreements and Tax Increment Incentives

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INTRODUCTION:

Project Area Plan - Definition & Purpose

- The "**Project Area Plan**" shall mean the written plan that, after its effective date, guides and controls the community development activities within the Project Area. It lays the foundation for the redevelopment and revitalization of the Project Area.
- Meets the requirements outlined in Utah Code §17C-4-103.
- A proposed Project Area Plan should be consistent with the City's General Plan and in accordance with its land-use requirements.

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INTRODUCTION:

Project Area Budget - Definition & Purpose

- The "**Project Area Budget**" shall mean a multiyear forecast of annual or cumulative revenues and expenses and other fiscal matters pertaining to the community development project area that includes:
  - The anticipated costs, including administrative costs, of implementing the project area plan; and
  - The tax increment, sales tax, and other revenue the agency anticipates receiving in order to meet the objectives of the Project Area Plan.

- Meets the requirements outlined in Utah Code §17C-4-204.

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Barnard Creek Community Development Area (CDA)

- Total Project Area Acres: 106.9 acres

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Barnard Creek CDA:

Development Assumptions – "Proposed Community Development"

- 4 Specific Development Projects *("New Incremental Assessed Value")*
  - 9-14 industrial/flex space buildings
  - Total of 290,000 square feet of building space

Examples of Potential Industrial/Flex Space Buildings (Pheasant Hollow, Sandy, UT)

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BARNARD CREEK CDA:

Reasons for CDA Project Area

- **STIMULATES CAPITAL INVESTMENT & DEVELOPMENT:**
  - CDA will facilitate development of vacant and under-utilized property
  - Two developers have recently petitioned the City to adopt a Project Area to assist in the funding of necessary infrastructure. Both developers are anxious to begin development; however, without assistance through a CDA they will not have the means to fund the required infrastructure and fund building construction.
- **PROVIDES FUNDING FOR INFRASTRUCTURE ENHANCEMENT:**
  - CDA will provide infrastructure for the Project Area, the absence of which would limit the development of the area
- **EXPANDS TAX BASE:**
  - CDA will increase the tax base for all taxing entities
- **PROMOTES JOB CREATION:**
  - CDA will create 100+ new jobs that will benefit residents throughout the City, County and State of Utah

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BARNARD CREEK CDA:

Project Area Budget - Tax Increment Sources

- Tax Increment will be used to meet the objectives of the Project Area Plan.
- Participation Levels:
  - 75% of incremental property taxes (**Tax Increment**)
  - 20 year period for "**Trigger Date**"

ENTITY	PERCENTAGE APPROVED	LENGTH	Amount
Davis County	75%	20 Years	$754,973
Davis County Library	75%	20 Years	$125,039
Davis School District	75%	20 Years	$2,823,176
Centerville City	75%	20 Years	$367,856
Weber Basin Water Conservancy District	75%	20 Years	$67,888
Davis County Mosquito Abatement District	75%	20 Years	$33,154
South Davis County Sewer Improvement District	75%	20 Years	$104,200
South Davis Recreation District	75%	20 Years	$125,987
Total			**$4,402,272**

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BARNARD CREEK CDA:

Project Area Budget - Tax Increment Uses

USES	AMOUNT
Project Development Costs @ 85%*	$3,741,932
Project Area Administration @ 5%	$220,114
Housing @ 10%**	$440,227
Total Uses of Tax Increment Funds	**$4,402,272**

**Project development costs include land assembly, developer incentives, and infrastructure costs such as asphalt, sewer, sidewalk and curb, water, storm drain, and telecommunications.*

***The 10% of increment dedicated toward housing will not be used within the Project Area. It will be used to promote sustainability of housing in the City in general.*

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BARNARD CREEK CDA:

Status of CDA

- All taxing entities have approved the interlocal agreements and have agreed to participate at **75% for 20 years**.

- Noticing of the interlocal agreements was completed on **January 14, 2014.**

- 30 day contest period ends on **February 13, 2014**.

Salmon Pasture Development:
Proposed Development

- Light industrial/flex space development

Building	Total Square Feet
Building 1	27,757
Building 2	9,317
Building 3	14,312
Total	**51,386**

- Total Project Costs

	Project Costs
Building Construction Costs	$3,340,090
Infrastructure Costs	$758,519
Total	**$4,098,609**

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Salmon Pasture Development:

Requested Incentive

- Salmon requests that the RDA consider participating in the proposed development by reimbursing the costs for infrastructure. This could be done through a combination of an upfront deference of fees as well as a pass through of tax increment over the next 20 years.

Description of Infrastructure	Total Cost
Retaining Wall - Native rock	$32,000.00
Wetland Improvements	$43,365.00
Sub grade	$53,822.46
Storm Drain	$32,410.00
Curb and Gutter	$29,220.75
Sidewalk and curb	$70,975.00
Asphalt	$241,611.00
Sewer	$55,600.00
Power/Electrical	$30,135.00
Water	$92,370.00
Gas	$18,010.00
Landscape	$23,000.00
Loading Docks	$36,000.00
Total	**$758,519.21**

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Salmon Pasture Development:

Pro Forma Assumptions

- Assumptions:

	Assumptions (LYRB Verified):	Original Assumptions (Salmon)
Loan to Value:	70%	
Lease Rate/SF (Modified Gross):	$0.65	$0.65
Vacancy:	7.0%	10%
Operating Expenses (Management, Maintenance, Select Utilities, Taxes):	15.0%	20%
CAP Rate:	8.50%	8.50%
Interest Rate:	6.0%	
Loan Term:	20	

Debt Service Calculation		
Total Project Costs		$4,098,609.00
Loan Amount	70%	$2,869,026.30
Equity Amount	30%	$1,229,582.70
Loan Payment (Debt Service):		**$250,134.79**

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Salmon Pasture Development:

Pro Forma Analysis

- Gross Operating Income Calculation

Bldg	Total SF	Rate/Ft Monthly	Pro-forma Monthly	Pro-forma Annual
1	27,757	$0.65	$18,042.05	$216,504.60
2	9,317	$0.65	$6,056.05	$72,672.60
3	14,312	$0.65	$9,302.80	$111,633.60
Totals	**51,386**		**$33,400.90**	**$400,810.80**

- Pro Forma (No Incentive)

Pro forma (Annual)		
Gross Operating Income		$400,811
(Vacancy)	7%	($28,057)
Effective Gross Operating Income		**$372,754**
(Operating Expenses)	15%	($55,913)
Net Operating Income		**$316,841**
Debt Service		($250,135)
Remaining Income		**$66,706**
Return on Equity (After Debt Service)		**5.43%**

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Salmon Pasture Development:

Pro Forma Analysis

- The Pro Forma below solves for the amount of tax increment incentive needed in order to generate a reasonable return on equity of 8.5%.

Pro Forma (Annual)	
Gross Operating Income	$400,811
Tax Increment Incentive	*$44,480*
(Vacancy)	($28,057)
Effective Gross Operating Income	**$417,234**
(Operating Expenses)	($62,585)
Net Operating Income	**$354,649**
Debt Service	($250,135)
Remaining Income	**$104,515**
Return on Equity (After Debt Service)	**8.50%**

→ x 20 Years = $889,609*

*Equal to a Net Present Value (NPV) of **$510,187** using a discount rate of 6%.

- A tax increment incentive of **$44,480** annually amounts to **$889,609** over the course of 20 years or a **NPV of $510,187**.

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Salmon Pasture Development:

Tax Increment Generated

- LYRB updated the Project Area Budget for the Salmon Pasture Development Project. This resulted in a taxable value for the Salmon Pasture Development of **$4,050,498.**

- Tax Increment Generated over 20 Years (after 25% haircut):

Tax Increment Analysis	Participation	Totals	NPV*
Davis County	75%	$141,923	$80,154
County Library	75%	$23,505	$13,275
Davis County School District	75%	$530,713	$299,730
Centerville	75%	$69,151	$39,054
Weber Basin Water Cons. District	75%	$12,762	$7,207
Davis County Mosquito Abatement District	75%	$6,233	$3,520
South Davis County Sewer Improvement District	75%	$19,588	$11,063
South Davis Recreation District	75%	$23,684	$13,376
Total Property Tax Increment for Project Area		**$827,558**	**$467,380**

**Using a discount rate of 6%.*

SALMON PASTURE DEVELOPMENT:

Summary

- Based on the development pro forma and market analysis, LYRB believes that Salmon's request for reimbursement of infrastructure improvement costs, through tax increment or a deference of fees, is reasonable and justified.