

Common Questions About Redevelopment

What is Redevelopment? Redevelopment is a process created to assist city government in eliminating blight from a designated area, and to achieve desired development, reconstruction and rehabilitation including: residential, commercial, industrial, and retail.

Redevelopment: A strategy to encourage private investment in previously developed but blighted areas.

Redevelopment has taken many forms throughout the State of Utah:

- Making rehabilitation loans to property owners
- Expanding parking in a community's commercial corridor
- Assisting with land assemblage so the highest and best use of the property can be realized
- Upgrading deteriorated public sidewalks and initiating street improvements
- Creating new parks
- Transitioning areas from outmoded and/or partially abandoned uses to modern commercial, retail and residential areas.

What is a Redevelopment Agency? Redevelopment Agencies (RDA) are entities used by local government to clean up blighted areas and to implement the development goals of communities. Each RDA consists of the elected council or commission. The city council members can act as the governing board for the redevelopment agency; however, the council and the agency are two separate, distinct legal entities. The agency hires staff to carry out its redevelopment plans and the agency's day-to-day operations. In most counties, the board of supervisors is the governing board.

What do Redevelopment Agencies do?

RDAs assist communities in addressing three types of development issues:

- **Redevelopment.** Encourage private and public investment in previously developed areas that are blighted.
- **Economic Development.** Work with businesses to increase the jobs available in the community and the state as a whole.
- **Housing Development.** Increase the amount and variety of housing in community.

Of what benefit to a citizen is being in a Redevelopment Project Area? Redevelopment is one of the most effective ways to breathe new life into deteriorated areas plagued by social, physical, environmental or economic conditions, which act as a barrier to new investment by private enterprise. Through redevelopment, a project area will receive focused attention and financial investment to reverse deteriorating trends, create jobs, revitalize the business climate, rehabilitate and add to the housing stock, and gain active participation and investment by citizens which would not otherwise occur.

What is a Redevelopment Plan? A redevelopment plan represents a process and a basic framework within which specific redevelopment projects will be undertaken. The plan provides the agency with powers to take certain actions such as to buy and sell land within the area covered by the plan, improving dilapidated facilities, and to use tax increment financing.

What is a Project Area? A project area is the area within which actual redevelopment will take place. A project area is a part of the community less than 100 acres in size, which has been targeted for RDA assistance. RDAs create a project area by adopting a plan for redevelopment, economic development or housing development. The project area must first go to public hearing (giving citizens who will be included in the project area a chance to express their views) after which the redevelopment agency acts on the adoption of the project area and becomes primarily responsible for future projects.

Why do we have Redevelopment Projects? The basic reason for establishing redevelopment projects is to secure funds that can be used to attract commercial, industrial, and residential development in order to eliminate blight and improve an area.

How are a Redevelopment Plan and Budget Adopted?

There is a six-step process, which must be followed to adopt a redevelopment plan and budget:

First, a blight survey area is identified for study. This study entails gathering information on the condition of buildings and improvements, the existence of hazardous materials, social factors and safety concerns.

Second, the RDA Board holds an evidentiary hearing to determine whether or not all or part of the area qualifies as blighted. If an area is blighted, it is eligible for redevelopment assistance. 'Blight' is a legal term defined in the Redevelopment Agencies Act.

Third, the RDA prepares a redevelopment plan and project area budget to identify how redevelopment would be encouraged. The planning process varies in each community. Typically, planning includes formal or informal discussions with property owners, investors, taxing agencies, community planners and others to identify planning objectives, strategies and implementation costs.

Fourth, the Planning Commission for the community reviews the redevelopment plan to assure it conforms to the community's master plans.

Fifth, the RDA Board holds one or more public hearings to obtain comments and suggestions on the proposed plan and budget. The RDA Board then adopts, adopts with modifications or rejects the plan. Adopting the plan establishes a redevelopment project area.

Sixth, if the plan includes the use of tax increment and the budget provides for more than \$100,000 of increment to be collected annually, the budget must allocate 20% of the tax increment generated by the project to encourage the development of housing within the community. If the budget allocates 20% of the tax increment to affordable housing, the RDA must adopt a housing plan showing how the funds will be used prior to adopting the budget.

What happens after a Redevelopment Plan and Budget are adopted? After plan and budget adoption, the RDA implements the plan as funds become available. The RDA adopts an annual implementation budget for each project area. In the initial years of a redevelopment project area, the tax increment collected is often minimal: therefore, redevelopment agencies work with private property owners, developers, and others to facilitate the redevelopment process.

How do Redevelopment Agencies secure funds? The state law makes available to redevelopment agencies a method of obtaining funds called "tax increment financing." On the date the city council approves a redevelopment plan, the property within the boundaries of the plan has a certain total property tax value. If this total assessed valuation increases, most of the taxes that are derived from the increase go to the redevelopment agency. These funds are called "tax increments." Usually, the flow of tax increment revenues to the agency will not be sufficient in itself to finance the full scope of the redevelopment plan and development projects. Therefore, agencies issue bonds. These bonds are not a debt of the city or county and are repaid solely from tax increment revenue. Tax increment can be used only in the same project, which generates the revenue, except for residential projects, which benefit low- and moderate-income households. Twenty percent of the tax increment must be set aside into a special fund for low- and moderate-income housing programs administered by the redevelopment agency.

Will property taxes be raised? It is important to note that higher taxes from the sale, development or rehabilitation of property reflect a rise in property value and not an increase in tax rate. Until a property is improved or sold, assessed values and tax rates in a redevelopment area are restricted by State redevelopment limitations.

When is Eminent Domain Used? Eminent domain is sometimes used to assemble property when the size of the parcels and/or the condition of the improvements is an obstacle to redeveloping an area. To exercise eminent domain, the RDA must follow a legal process, which has been established to make certain property

owners, and tenants receive a fair price and relocation assistance. A RDA can only use eminent domain after a redevelopment plan is adopted which authorizes the use of eminent domain. Eminent domain can only be used during the first five years of a redevelopment project area.

Why does the Agency have the power of eminent domain (condemnation of property)? Private developers seldom can assemble many separate parcels of land into a site large enough for their needs. One small "hold out" can refuse to sell at any price and block the entire development. The Agency can, if necessary, use its power of eminent domain to acquire the holdout parcel, paying fair market value, and permit the development to proceed in order to reduce or eliminate a blighted condition.

What is relocation? Relocation is the displacement of a business or family for the purpose of clearing land and preparing it for its designated use. When a person or business meets the legal qualifications, the redevelopment agency pays for: assistance in finding a new location, payments to cover moving costs, and payments for certain other costs as provided by law.

If a citizen decides to sell property to the Agency, who determines the selling price? The agency would hire an independent appraiser to establish the fair market value of the property. If the owner is not satisfied with the appraised value of the property, he may hire his own appraiser to re-evaluate the property after which both appraisals will be compared and a selling price negotiated. Fair market value is the value that the property would have if it were placed in today's marketplace and sold.

How will this affect the city/county and other agencies in regard to tax revenue loss? Other taxing agencies will lose part of the new property taxes generated by redevelopment, but will continue receiving the base revenues. In most blighted areas, property values would not increase without redevelopment activities. Other taxing agencies will receive non-property tax revenues and revenues generated outside the project area as a direct result of redevelopment activities, i.e., sales taxes, hotel room taxes, and property taxes.

Housing Development

Housing development: A method for maintaining and increasing all types of housing in Utah communities, including affordable housing. RDAs assist with housing development through:

- Creating an education housing development area and using the tax increment generated to pay a portion of the development cost.
- Assembling land and reselling it to housing developers at pricing levels determined by housing type, price and density.
- Provide low-interest funding to developers for the adaptive re-use of existing buildings into housing.
- Including affordability requirements in RDA assisted housing developments.
- Providing low-interest site acquisition loans to non-profit housing developers.
- Providing low-interest and deferred mortgage financing for lower income homebuyers.

What types of housing do RDAs encourage?

RDAs encourage needed types of housing in specific areas within redevelopment project areas. Outside of project areas, RDAs help communities develop affordable housing. Affordable is defined as housing made available to low and moderate-income residents.

How does the RDA pay for housing?

RDAs seek private and public housing partners, which include homeowners, non-profit and for-profit developers, community development corporations, housing authorities and local financial institutions.

RDAs are required by state law to allocate 20% of the tax increment generated by new economic or redevelopment project areas to encourage the development of housing. RDAs use tax increment as it becomes available to stimulate housing development and rehabilitation throughout the community.

Economic Development

Economic Development: A strategy to increase the number and quality of jobs in the State of Utah.

Economic development has assisted in the creation of many employment opportunities throughout the State of Utah:

- Dannon Yogurt production plant in West Jordan City, which uses milk and fruit, produced throughout the United States.
- Wal-Mart Distribution center in Hurricane.
- Convention center in St. George

How are an Economic Development Plan and Budget adopted?

A five-step process must be followed to adopt an economic development plan and budget.

First, an area is targeted for economic development. This is called a “survey area.”

Second, the RDA prepares an economic development plan and project area budget describing the economic development project to be accomplished as a result of RDA participation.

Third, the community planning commission reviews the plan to be certain it conforms to the community’s master plan.

Fourth, the RDA Board holds one or more public hearings to obtain comments and suggestions on the proposed plan and budget. The RDA Board then adopts, adopts with modifications or rejects the plan. Adopting the plan establishes an economic development project area.

Fifth, if the plan includes the use of tax increment and the budget provides for more than \$100,000 of increment to be collected annually, the budget must allocate 20% of the tax increment generated by the project to encourage the development of housing. If the budget allocates 20% of the tax increment to affordable housing, the RDA must adopt a housing plan showing how the funds will be used prior to adopting the budget.

Happens after an economic development plan and budget are adopted?

After plan and budget adoption, the RDA negotiates an economic development agreement with an employer who will provide the additional employment opportunities. If the plan is prepared without a specific development partner, the RDA follows the plan to encourage economic development.