The Role of REDEVELOPMENT AGENCIES in Utah

What is a Redevelopment Agency?

Redevelopment agencies (RDAs) are a tool used by local government to clean-up blight and to implement the development goals of communities. Each RDA consists of the elected council or commission which is the RDA Board by state statute. The RDA Board adopts the plans, policies and budgets which are implemented by the agency.

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 within a community.

What is a Project Area?

A project area is a part of a community, usually 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 education housing development in a specific geographic area. Many communities have multiple RDA project areas.

How do RDAs Pay for Community Improvements?

In most cases, RDAs pay for only a fraction of development costs related to the new developments they encourage. The RDA's share of development costs are paid through the use of property tax increment. Property tax increment is the increase in the property taxes generated in a project area over and above the property taxes generated prior to the new development (base taxes). Generally, base taxes are not used to pay project costs. The use of tax increment must be approved by a committee made up of representatives from each of the affected property taxing entities.

Redevelopment

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 properties 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 uses.

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 plan.

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.

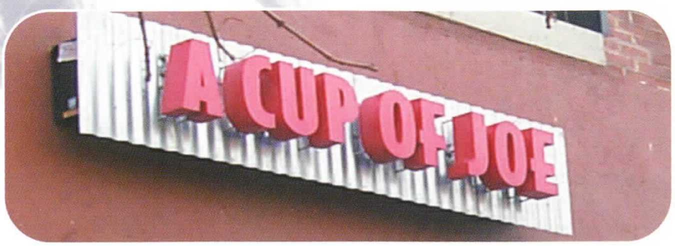
What Happens After a Redevelopment Plan and Budget are Adopted?

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 early 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 redevelopment.

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 are 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.***

IF A PRIVATE INDIVIDUAL THREATENS TO ACQUIRE YOUR PROPERTY BY EMINENT DOMAIN, NOTIFY THE RDA IMMEDIATELY. PRIVATE INDIVIDUALS MAY NOT ACQUIRE PROPERTY BY EMINENT DOMAIN.



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.
- Providing 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 home buyers.

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 state.
- Walmart 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.

What 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 economic development partner, the RDA follows the plan to encourage economic development.