REDEVELOPMENT SUMMARY

WHAT IS REDEVELOPMENT?

Redevelopment is a set of tools provided under state law, Title 17C of the Utah Code, that empowers local governments in economic development, job creation, eliminating blight, and achieving the goals of development, reconstruction and rehabilitation of residential, commercial, industrial, and retail districts. Municipalities and counties are authorized to create redevelopment agencies, also known as urban renewal agencies, to use these tools.

Redevelopment is a term that has a long history in Utah, but in 2006, the Utah Legislature broke “redevelopment” down into three different tracks, including Urban Renewal, Economic Development, and Community Development. Each of those three tracks serves a somewhat different purpose. The same legislation also changed the legal name of agencies from “Redevelopment Agencies” to “Community Development and Renewal Agencies,” but many Agencies across the state still go by the historical nomination of Redevelopment Agency, or RDA.

Urban Renewal is the new term for what was historically redevelopment. The goal of Urban Renewal is to eliminate blight from specific areas within the community.

Economic Development is a tool that redevelopment agencies can use to help promote job growth in the community. The redevelopment agency can use tax increment to help encourage business relocation, expansion, and development through incentives targeted toward the creation of high-quality jobs.

Community Development is a flexible tool that allows redevelopment agencies the opportunity to encourage all kinds of new development that the community believes will be beneficial, including mixed-use and retail. Community Development provides a flexible alternative to the more rigid Urban Renewal and Economic Development tracks.

Examples of redevelopment tools:

- Ability to assemble land for development
- Ability to utilize tax increment and issue bonds
- Ability to invest in infrastructure to assist private enterprise
- Ability to increase affordable housing stock

Redevelopment Agencies use redevelopment powers and tools as a catalyst in revitalizing their communities. Redevelopment encourages new development, creates jobs and generates tax revenues in declining urbanized areas by developing partnerships between local governments and private entities. As of 2010 in Utah, 70 cities and 5 counties have redevelopment agencies.

Redevelopment can help a community implement a revitalization effort for downtowns, retail areas, neighborhoods or industrial areas. Redevelopment plans are locally created and adopted so they can respond to a community’s unique needs and vision.

Redevelopment plans can help communities to:

- Attract new jobs and businesses
- Create more affordable housing
- Stimulate private reinvestment in local neighborhoods and businesses
- Reduce crime
- Stimulate development of improvement programs
- Stimulate private investment and help rehabilitate homes and businesses
- Build or improve roads, utilities and public facilities
- Preserve open space
- Transform hazardous waste sites (called brownfields) into productive uses
- Create, adopt and/or implement specific plans
- Initiate and fund comprehensive planning efforts

WHAT IS A REDEVELOPMENT AGENCY?

The Redevelopment Agency, also known as a Community Development and Renewal Agency, is a separate, distinct legal entity from the City. However, the City Council serves as the governing board of the Agency. And, the Redevelopment Agency can utilize city staff or hire its own staff and advisors to carry out its day-to-day operations as well as to help formulate and implement redevelopment plans.

The benefit of this system is that the Redevelopment Agency is ultimately responsible to the voting public through the elected governing body that oversees the Agency.

WHAT CAN REDEVELOPMENT DO?

Redevelopment activities may include the rehabilitation/reconstruction of existing structures, the redesign/re-planning of areas with inefficient site layout, the demolition and clearance of existing structures, the construction/rehabilitation of affordable housing and the construction of public facilities including, but not limited to, public buildings, streets, sidewalks, sewers, storm drains, water systems and street lights. All of this contributes to general economic revitalization of an area, making it more attractive for additional investors.

Through redevelopment, a project area receives focused attention and financial investment to reverse deteriorating trends, create jobs, revitalize the business climate, rehabilitate and add to the housing stock, as well as gain active participation and investment by residents and local business which would not otherwise occur. These revitalization efforts have positive effects that spill over the project area boundaries and improve the entire community.

Examples of activities/benefits generated through redevelopment:

- Commercial mixed-use projects
- New/rehabilitated affordable and market-rate housing
- New and revitalized schools
- Increased investment in the area
- Living wage job creation
- Transportation facilities
- Sales, hotel and utility tax revenue
- Youth recreation and service centers
- Community beautification

- Renewed civic pride

WHY CAN'T PRIVATE ENTERPRISE DO IT ALONE?

Community redevelopment is usually accomplished by forming a partnership of public and private enterprise. Public funds are used to lay the foundation and provide the pre-conditions that are necessary for private enterprises to be interested in and capable of investing their financial resources. One can think of a redevelopment project as a way to "level the playing field." A Redevelopment Agency may do this by assisting with extraordinary costs of making land within a project area ready for rehabilitation or for new development.

Through the redevelopment process, a partnership of public and private efforts can join forces to bring new life to deteriorating areas.

The blighted areas designated for redevelopment are those areas where private enterprise has failed to revitalize an area. If deterioration is not stopped and turned around, the area will be unattractive for business investment. Public funds are used to leverage private investment into these blighted areas. These funds may also be spent to improve streets, utilities, landscaping, etc. to encourage and attract private development.

Also, the State of Utah requires local participation in state efforts to attract new business and industries to Utah. The Agency has the tools to provide the required local participation.

WHAT ARE THE POWERS OF AN AGENCY?

The Redevelopment Agency has powers that are typical for a local governmental agency and unique powers that are exercised only by redevelopment agencies. Examples of these general powers include:

- Adopt a budget or enter into interlocal cooperation agreements
- Buy and sell property
- Make certain types of loans or grants to carry out the redevelopment plan
- Construct improvements
- Rehabilitate, modernize, consolidate or remove structures
- Assist in the development or rehabilitation of housing for use by moderate-income and low-income families

In addition to these general powers, a Redevelopment Agency has unique powers that include:

- The ability to buy private property for resale to another private person or organization
- The limited ability to use the power of eminent domain (condemnation) to acquire private property
- The power to collect property tax "increment" in order to finance the redevelopment program of the community

  Importantly, the Agency has no taxing powers or authority.

WHY IS REDEVELOPMENT IMPORTANT?

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 BLIGHT?

Urban Renewal, or true "redevelopment," can only be used in areas that suffer from adverse physical and economic conditions, defined in the law as "blight." However, blight is irrelevant in Economic Development and Community Development project areas.

The following types of adverse physical and economic conditions have been observed in redevelopment areas to be examples of blight.

Adverse Physical Conditions

- Unsafe building conditions
- Aging, deteriorating, and poorly-maintained buildings, sometimes interspersed with well-maintained buildings
- Incompatible adjacent or nearby uses of land parcels that hinder economic activity
- Adverse physical factors, such as susceptibility to flooding and earthquakes, that demand significant improvements to buildings in order that they be safe for occupancy
- Small and irregularly shaped lots under multiple ownership that are vacant or underutilized
- Outdated and inefficient building configuration and design that does not meet current business needs
- Unsafe access into buildings or parking lots
- Inadequate and obsolete infrastructure, (i.e. utilities, storm drainage, sewers, street lighting, and confusing and inefficient street systems)

Adverse Economic Conditions

- High business vacancies, low commercial leases and high turnover rates
- Vacant and underutilized land or buildings
- Depreciated or stagnant property values and other evidence of disinvestment
- Hazardous waste and other negative environmental conditions
- High incidence of criminal activity, sometimes equated with an over-concentration of bars, liquor stores or adult stores
- Lack of neighborhood businesses to serve residents, such as banks, pharmacies or grocery stores
- Residential overcrowding

WHY DOES THE AGENCY HAVE THE LIMITED POWER OF EMINENT DOMAIN (CONDEMNATION OF PROPERTY)?

Eminent domain or condemnation is the right of a government to take private property for public use in exchange for just compensation. Agencies may use this redevelopment tool—in very narrow circumstances—to assemble many separate parcels of land into a site large enough for their needs in order to reduce or eliminate a blighting condition. However, the Agency's power of eminent domain is severely limited because the Agency can only exercise eminent domain if an overwhelming majority of property owners within an Urban Renewal project area consent to the Agency's use of eminent domain. Without that property owner consent, the Redevelopment Agency cannot unilaterally exercise eminent domain on any private property.

Redevelopment agencies very rarely use eminent domain. This is because eminent domain may only be utilized after negotiations between the Agency and the private property owner fail. In most cases, the benefits and profits to be gained by the private property owner are clear. When eminent domain is used, it is typically because the well being of the residents or businesses in the project area are in jeopardy. Occasionally redevelopment agencies might also use eminent domain to condemn hazardous and dilapidated structures located in economically weak areas.

The Agency is required by The Utah Community Development and Renewal Agencies Act to hold public hearings on the action, to pay the owner fair market value and to give the occupant all relocation benefits and allowances entitled by law. Acquiring property this way is typically used only as a last resort since it is generally time-consuming and costly. The time period for acquiring property through eminent domain within the project area may not exceed 5 years after the establishment of the project.

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. If a household or business is displaced due to property acquisition by a Redevelopment Agency, occupants may be entitled by law to certain moving assistance benefits. These benefits help assist families, individuals, businesses and nonprofit organizations to relocate. Relocation benefits include:

- Assistance in finding a new location
- Payments to help cover moving costs
- Additional payments for certain other costs
- Redevelopment agencies must make every effort to accommodate property owners and ensure that they are compensated for the costs involved in relocating their business and reasonable moving expenses

The law also protects homeowners displaced by eminent domain. The owner must be fully compensated for the fair market value of the property. In addition, local agencies must provide relocation benefits. Local agencies condemning properties must furnish a relocation advisor to assist homeowners who are displaced.

If a renter must leave an apartment or any other type of legal rental unit, a relocation specialist will work with the renter and landlord to find a decent and safe replacement apartment or rental unit that is comparable to the present apartment in terms of price, size, and neighborhood conveniences. The renter is eligible to receive moving expenses.

IF A CITIZEN SHOULD DECIDE TO SELL PROPERTY TO THE AGENCY, WHO DETERMINES THE SELLING PRICE?

A property owner may sell their property to a Redevelopment Agency. An Agency seeking to acquire property for redevelopment normally appraises the land and offers the owner its fair market value, which must be not less than the appraised value of the property.

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, they may hire their 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 market place and sold.

WHAT IS A REDEVELOPMENT PLAN?

The plan provides the Agency with direction and powers to take certain actions such as to buy and sell land within the area covered by the plan (project area), to improve dilapidated facilities, and to use tax increment financing.

The redevelopment plan provides a legal framework for planning and implementing revitalization activities in a redevelopment project area. A redevelopment plan:

- Describes the purposes and objectives of eliminating deteriorated conditions
- Sets the basic goals, powers and limitations within which the Redevelopment Agency must conduct its activities over the life of the project
- Is broad and flexible. The plan should set forth basic powers and limitations and should provide a general statement of redevelopment objectives and techniques that clearly establishes how the Agency intends to remove deterioration from the project area

The redevelopment plan must also be in harmony with the city or county general plan. A redevelopment plan generally contains the following components:

- A legal description of the project area in written and graphic form and a description of land uses
- Descriptions of the proposed actions to be taken to carry out redevelopment (These descriptions cover the duties, powers, and authorities of the Redevelopment Agency and describe the rights of owners and tenants.)
- Descriptions of the authority and limitations for financing the activities necessary to implement the plan
- Plans for how the Agency will implement redevelopment projects to remove the deterioration

Adoption of a redevelopment plan is normally a lengthy and complicated process involving public participation and preparation of specific reports and documents. This process typically takes between 12 and 18 months. The duration of the redevelopment plan cannot exceed 25 years, unless authorized by the taxing entity committee.

WHO ADOPTS THE REDEVELOPMENT PLAN?

A redevelopment plan is adopted by both the Agency Board and by ordinance of the governing body of the community. Public hearings are required so that community input can be considered before the plan is adopted.
The redevelopment process involves a series of legally mandated steps. The following basic steps must be followed:

- For Urban Renewal, the Agency first adopts a survey area encompassing portions of the community that might benefit from redevelopment.
- After the survey area is adopted, or if no survey area is required because the Agency is doing Economic Development or Community Development, the Agency selects a redevelopment project area that is coterminous with or smaller than the survey area.
- The Agency develops a draft redevelopment plan.
- The Agency then circulates the draft plan.

- The Agency then requests input on the draft plan from the property owners in the proposed project area, taxing entities and the public. A draft project area plan must be available to the public at the Agency's offices during normal business hours.
- The Agency consults with affected taxing entities and the community.
- The local governing body/Agency calls for a public hearing on the proposed plan.
- The plan and budget are adopted.
- For Community Development, the Redevelopment Agency also negotiates separate interlocal cooperation agreements with each taxing entity wishing to participate in the project

WHAT IS A PROJECT AREA?

The project area is an officially adopted boundary in which actual redevelopment will take place. 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.

For Urban Renewal, before a project area is established, a survey area is designated to determine whether or not a redevelopment project is feasible. Preliminary studies, such as feasibility studies, are conducted to make a determination of the blighting conditions within the area.

Based upon this evaluation, the Redevelopment Agency selects a project area and indicates how the purpose of the Community Development and Renewal Law can be attained by redevelopment of this area. A project area can be reduced in size prior to adoption of the redevelopment plan, but cannot be enlarged without amending the survey area. A project area can also include non-adjacent properties.

HOW IS REDEVELOPMENT FINANCED?

Redevelopment is primarily financed by tax increment revenue. Other revenue sources include loans, grants and issuance of tax allocation bonds.

Typically, agencies use tax increment funds to leverage financial assistance from various agencies of the state and federal governments, and private sources.

The most common bond instrument used by redevelopment agencies to finance projects is called a tax allocation bond or revenue secured bond. These bonds, which are a loan of money to an Agency, are not a debt of the community or the general taxpayer. Rather, they are repaid solely from tax increment revenue generated within the project area. In other words, increased tax revenues generated through redevelopment activities are funneled back into the project area to stimulate more development as well as to pay the costs involved.

WHAT IS TAX INCREMENT?

Tax increment is the primary source of revenue that redevelopment agencies have to undertake redevelopment projects. It is based on the assumption that a revitalized project area will generate more property taxes than were being produced before redevelopment. When a redevelopment project area is adopted, the current assessed values of the property within the project area are designated as the base year value.

Tax increment comes from the increased assessed value of property, not from an increase in tax rate. Any increases in property value, as assessed because of change of ownership or new construction, will increase tax revenue generated by the property. This increase in tax revenue is the tax increment that goes to the Agency.

For example, a property owner pays $1,000 on land assessed at $100,000 this year. If, as a result of new construction on the property, the property increases in assessed valuation to $500,000, the property owner would pay $5,000 at the same standard tax rate. The $4,000 increase is called “tax increment.” Redevelopment agencies are entitled to collect this increase in property tax revenues, or tax increment, on the acreage they redeveloped to repay the debt involved in the project, and to reinvest these dollars in redevelopment activities within the project area. As well, 20 percent of that tax increment money goes into a housing fund set aside specifically to finance low- to moderate- income housing.

WILL PROPERTY TAXES BE RAISED?

The Redevelopment Agency has no power to set tax rates or levy property taxes. Property tax on properties within a redevelopment project area is governed by the same laws as on properties outside redevelopment project areas.

When redevelopment activities are successful, the property values within and around the redevelopment project area increase over time due to the sale of property, or the rehabilitation and new construction of buildings. Thus, property tax increment revenues are the result of the rise in property values, not an increase in tax rates. The changed image and improved economic base increase the marketability of property in the area. Redevelopment activities enhance the marketability of properties.

HOW ARE OTHER JURISDICTIONS AFFECTED BY TAX INCREMENT FINANCING?

Taxing entities such as the county, school districts, and special districts that serve the project area continue to receive all the tax revenues they were receiving the year the redevelopment project was formed (the base year). In addition, taxing entities may receive a portion of the incremental increase in property tax revenues from a redevelopment project area, if adopted as part of the project area budget.

No redevelopment projects occur without taxing entity approval. For Urban Renewal and Economic Development projects, the taxing entities are represented by a taxing entity committee that reviews and, in its discretion, approves project area budgets. The taxing entity committee’s approval is required before the Redevelopment Agency can collect any tax increment.

For Community Development projects, the Redevelopment Agency does not convene a taxing entity committee. Instead, the Redevelopment Agency works independently with each taxing entity located within the project area. The Redevelopment Agency and each taxing entity may agree to an interlocal cooperation agreement giving the Redevelopment Agency a portion of tax increment generated in the Community Development project area.

WHAT IS ECONOMIC DEVELOPMENT?

Economic development is used to increase the number and quality of jobs in the state of Utah. Economic Development Project Areas have assisted in the creation of many employment opportunities throughout the State of Utah. Fundamentally and operationally, Economic Development Projects differ from Redevelopment Project Areas in that Economic Development Project Areas are not required to have or prove blight. As such, without Blight as a constraint, economic development project areas must produce new high paying “quality jobs” as defined by Utah Law. In addition, economic development project areas may not have retail uses as the primary component of the project area. Any retail components must be ancillary to the primary uses which create the new job opportunities.

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 Agency prepares an economic development plan and project area budget describing the economic development project to be accomplished as a result of the Agency’s participation.

Third, the Agency board holds one or more public hearings to obtain comments and suggestions on the proposed plan and budget. The Agency board and the city council then adopt, adopt with modifications, or reject the plan. Adopting the plan establishes an economic development project area.

Fourth, if the plan includes the use of tax increment, a committee of representatives from the affected taxing agencies approves, approves with changes, or rejects the project area budget.

WHAT HAPPENS AFTER AN ECONOMIC DEVELOPMENT PLAN AND BUDGET ARE ADOPTED?

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

HOW DOES COMMUNITY DEVELOPMENT DIFFER FROM URBAN RENEWAL AND ECONOMIC DEVELOPMENT?

A Community Development Plan can be used to achieve the goals of either an Urban Renewal or Economic Development Plan. It does not have a taxing entity committee but instead individual Interlocal Agreements are negotiated with each taxing entity which will participate in a portion or all of the tax increment created in the project area.