ECONOMIC DEVELOPMENT TOOLS

ZIONS PUBLIC FINANCE

- Economic Development Tools
    - Tax Increment Financing (TIF)
    - Transferrable Development Rights (TDRs)
    - Public Infrastructure Districts (PIDs)

81st. Stre
66th. Ave.
LIBERTY MAGNET SCHOOL

❖ Scenarios

- Significant vacant land where the city/county desires to see notable development. Development is not occurring due to substantial, up front infrastructure costs.

- Developer proposes a large-scale development. City/County wants to see more public amenities (trails, parks, community centers, etc.), but inclusion of these features does not pencil for developer. City/county promotes a PID to finance infrastructure at a lower cost that thereby allows for amenities.

- Scenario
  - Significant infrastructure costs
  - Unable to develop without financing assistance
  - $42.8 million in bonds issued through a PID
  - 400,000 sq.ft. medical campus, 685,000 sq.ft. multifamily, 234,000 sq.ft. parking structure

Public Infrastructure Districts

- Scenario
  - Significant infrastructure costs
  - Unlikely to develop without notable financing
  - Private lending options result in required returns that are restrictive
  - PID results in potential 40-year term at low rates
  - Project is financed, benefits flow through to end users

Senate Bill 228

- SB 228 grants cities and counties in Utah the power to create PIDs to finance public infrastructure for new development
- PIDs issue debt repayable from property taxes or assessments on the property owners within its boundaries
- PIDs are local districts and constitute an independent political subdivision, not a component unit of the city or county (unlike a SSD)

Details

- Debt issued by a PID is not a liability of the creating entity or the State. The PID is a non-balance sheet item (different from special service district)
- Formation requires 100 percent consent of property owners (each levy in a SSD requires majority of registered voters)
- PIDs have broad powers to finance public infrastructure of multiple types including any improvement that will be owned by a state or local government
- SSD – eminent domain, political subdivision of state, quasi-municipal corporation, reimburse for usage of equipment/property used

Details - continued

- At discretion of City or County and with limitations imposed
- Limitations should be thoroughly vetted by advisor and bond counsel
- Governing Document acts as a “master” agreement with interlocal spelling out specific interactions between creator and PID
- Board from initial property owners and elected thereafter as available

Property tax

- As value changes, the tax rate moves with the market
- Capped at .015

Things to consider

- Statute sets outer limits that are constrained by governing document
  - Governing document is enforced contractually through an Interlocal Agreement entered into by the creating entity and the PID. Creating entity and property owner are each represented by counsel *at the expense of the property owner*
- City or County
  - Dictate board terms and processes
  - Set tax levy limits
  - Limit amount, timing, terms, frequency of debt authorized
  - Dictate PID lifespan
  - Allow combination with TIF or other tools

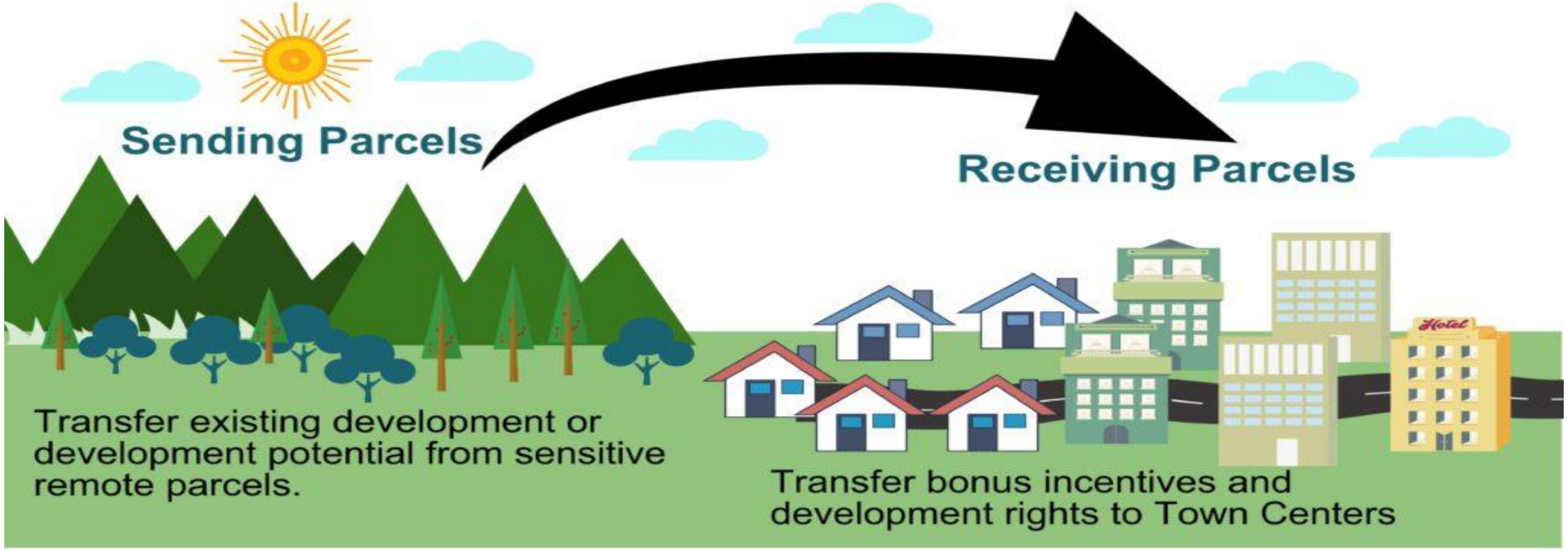
Key Considerations

- Adopt a policy for the City
- Identify key areas for development
  - Will infrastructure costs limit feasibility?
  - Are there design/use elements that the city wants to see?
  - How will residents/occupants see the benefit of higher taxes?

Transferable Development Rights - TDRs

Key Desired Results:

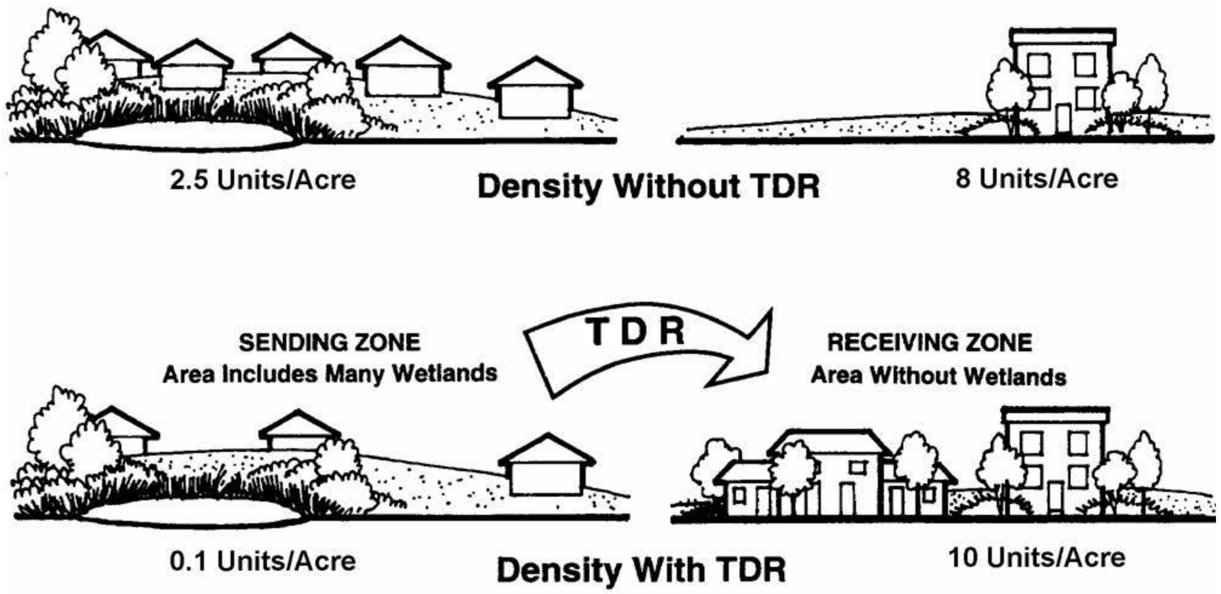
- Protect open space
- Allow for density in supportive areas



Transferable Development Rights - TDRs

How TDRs Work

- Development rights are passed from one area (sending area) to another (receiving area)
- Exchange of development rights is not always 1:1
- Land in sending and receiving areas does not need to be of equivalent size



Transferable Development Rights - TDRs

Key Considerations

- Does the "sending area" have near-term potential for development?
  - Market conditions
  - Access to infrastructure

- Can the "receiving area" accommodate more density?
  - Can simple zoning changes facilitate density?

Transferable Development Rights - TDRs

Key Considerations

- Understand market value of development rights in both sending and receiving areas
- Determine feasibility of development occurring in “sending” area
- Determine exchange value of rights (i.e., 2:1, 4:1, etc.)
- Determine if rights are conveyed through open market or via TDR bank

Parking Authorities

Key Considerations

- Boundary designation - Preparing a legal description of the geographic boundaries in which the downtown parking authority will be enforced
- Board creation - Preparing an authority board that will act as a recommending body to the municipality, including all guidelines, limit terms and other items necessary
- Bylaws and guidance document preparation - Creation of governing documentation necessary for the rules, regulations and policies; documenting the powers and abilities of the organization
- Authority income projections - Preparation of a projection of operating expenses and incomes for the parking authority annually

Parking Authorities

Key Steps

- Consider shared lots and how agreements would be structured
- Identify parking capacity and "hot spot" areas
- Begin discussions with key property owners

ZIONS PUBLIC FINANCE

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