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MEMORANDUM

TO: Members, Utah State Board of Education

FROM: Martell Menlove, Ph.D.
Chief Executive Officer

DATE: July 17, 2014

ACTION: Taxing Entity Committee (TEC) to the Redevelopment Agency of the City of St. George Dixie Center Economic Development Project Area

Background:

On October 23, 1997, the Dixie Center EDA Taxing Entity Committee (TEC) adopted the project area budget for the Dixie Center Economic Development Area. The original project area budget and TEC Resolution approved tax increment collection to be 100 percent paid to the Redevelopment Agency of the City of St. George (the Agency) for a period of twelve (12) years, not to exceed \$3,500,000.

The Agency proposes to amend the original project area budget in order to extend the timeframe of the project area by six years and collect the necessary funds to construct improvements for further development.

Key Points:

The Redevelopment Agency of the City of St. George will be requesting Taxing Entity Committee (TEC) approval to approve the amended budget for the Dixie Center Economic Development Project Area.

Anticipated Action:

It is anticipated that the Board will give specific direction to the Board's TEC representative regarding this proposed TEC budget.

Contact: Bruce Williams, Associate Superintendent, 801-538-7514
David Roberts, School Finance Director, 801-538-7668
Cathy Dudley, MSP Budget and Property Tax Specialist, 801-538-7667

Reasons for Recommended Vote
REDEVELOPMENT AGENCY OF THE CITY OF ST. GEORGE
DIXIE CENTER ECONOMIC DEVELOPMENT AREA (EDA)
JULY 17, 2014

Dixie Center EDA

On October 23, 1997, the Dixie Center EDA Taxing Entity Committee (TEC) adopted, by Resolution, the project area budget for this project. The original project area budget and TEC Resolution approved tax increment collection to be 100 percent to be paid to the Redevelopment Agency of the City of St. George (the Agency) for a period of 12 years, not to exceed \$3,500,000. Tax increment collection began in FY2007, with an anticipated expiration date of FY2018. Based on current projections of tax increment, the Agency is expected to reach its cap amount of \$3,500,000 in FY2017.

The project area consists of about 86 acres with the Dixie Convention Center as the principle facility within the project area. The current tax increment helped fund infrastructure improvements, property acquisition costs, the principal of and interest on loans, money advanced to, or indebtedness, whether funded, refunded, assumed to otherwise to finance or refinance the project.

The original proposed budget (\$3,500,000) was as follows:

\$100,000	to extend south Main Street to Newby's property line
\$550,000	Costs for road, waterline, sewer line, storm drain line to convention center site (storm drain line to Virgin River)
\$1,300,000	approximately ½ of the cost of convention center property acquisition
\$1,500,000	future road and other infrastructure improvement costs
\$50,000	engineering and legal fees

Modification Request:

Recently, the City and Agency were approached by a developer wishing to develop additional hotels and restaurants within the Dixie Center EDA, which would greatly enhance the overall tax base of this area. However, in order for the development to occur, a road surrounding the area needs to be improved so additional public improvements are necessary. The improvements needed to sustain this development include erosion control, roadway improvements, and landscaping. In order to pay for the cost of these improvements and,

thereby, for this additional development to occur, the Agency proposes to amend the original project area budget by six years and collect the necessary funds to construct the improvements.

The amended project area budget extends the duration of the EDA by six (6) years beginning the year after the original cap amount of \$3,500,000 is reached or until the tax increment received by the Agency equals \$2,900,000. Thus the total duration of the EDA would be 18 years from the date of the first tax increment receipt by the Agency or until the total tax increment received by the Agency reaches \$6,400,000.

This amended project area budget authorizes the Agency to receive 100% of the tax increment. In the case of Washington County School District, the Agency will receive 100% of the tax increment and then remit \$212,210 back to Washington County School District beginning the year after the cap amount of \$3,500,000 is reached and will extend through the life of the EDA. This mitigation payment represents an approximation of the Washington County School District tax levy related to current development within the project area.

The uses of the tax increment for this extension are as follows:

\$70,938	EDA Administration @ 3.5%
\$1,955,867	Infrastructure Improvements @ 96.5%

That is a total of only \$2,026,806 for a period of six years. Due to the fact that the cost of infrastructure improvements is much higher than the project tax increment revenue, a cap amount of \$2,900,000 is proposed.

Recommendation: To approve the extension of the Dixie Center Economic Development Project Area for the following reasons:

- This additional development may not occur without the road improvements that are necessary;
- Washington County School District will benefit by the mitigation payment throughout the extension period of six (6) years; and
- Washington County School District is in favor of this extension.