Millcreek Township

Planning Commission Meeting

Public Hearings

Wednesday, August 15, 2012

27953

CONTINUED FROM AUGUST 15, 2012

General Plan Amendment

Economic Development Best Practice

Applicant: Salt Lake County

Planner: Max R. Johnson

Economic Development

Purpose Statement

Economic development is vital to the well-being of a community because it increases the quality of life for residents through job creation, increased wages, broader access to goods and services, and enhanced tax base. Economic development is dependent on the resources of an area, including natural resources and the education levels and skills of the local workforce. It is promoted and encouraged through the development of quality infrastructure for utilities, transportation, and communications. It can also be encouraged through government policies, tax and fee structures, public financial assistance and incentives, and through the sharing of economic information. Sustainable economic development always takes place within a regional context, and includes diversity of goods and services, employment opportunities, and quality affordable housing elements.

Best Practices

Economic Core Concepts:

1. Economic development needs to occur in a region-wide context.
2. Resources and educational training/skills in a region are key factors in identifying future job growth and development opportunities.
3. Communities need to create a sustainable economic development strategic plan with a detailed implementation plan. These plans assess the community's strengths and weaknesses and its competitive niche in the regional area.
4. Job creation should be a primary focus of the region.

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5. Communities must establish core infrastructure in transportation, communications, and utilities in order to further economic development activity. Officials need to coordinate economic development strategies with capital improvement plans.

6. Communities should inventory their current economic base in terms of tax revenues and revenues from other sources and assess the sustainability and balance of current revenue streams.

7. Each community should conduct a retail market analysis (i.e. sales gap, leakage, and capture) and make this information available to the public.

8. An understanding of target markets, including demographic projections and household characteristics, is essential in projecting future buying power, market niches and development opportunities.

9. Key economic development sites throughout the County should be identified and promoted in order to ensure the highest and best use of each site.

10. Identify business clusters that currently exist, as well as clusters that could be developed based on existing strengths, that would benefit from locating in close proximity.

11. Communities should promote educational attainment and vocational skills training in alignment with the current business base of the area or the businesses they intend to attract to the area.

12. Quality-of-life factors such as housing choices, amenities, recreation and other factors are important elements in economic development.

13. Communities need to evaluate the underlying data, the explicit and implicit assumptions, and the methodology used when analyzing individual economic development projects.

14. Policies regarding public assistance with financing and incentives should be consistent with and targeted to attracting key development types that are most beneficial to the community and that would likely not occur without public assistance.

15. Economic information needs to be widely shared in order to maximize development opportunities.

Data Resources Core Concepts:

1. Promote and develop a centralized data library. The data library will serve as the primary location for future datasets relating to economic development and planning.

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2. Maintain the data created as part of the Cooperative County Plan and through economic development initiatives by identifying personnel, timeframes for updating data, and individual department's responsibilities in maintaining data.
3. Economic resources and data should be collected and developed in conjunction with other regional planning initiatives and models. Promote cooperation from municipalities through continued dialogue as part of the Cooperative County Plan.
4. The County should facilitate the dissemination of information to the public.

Key Questions:

What defines an economically sustainable community?

How does this community or project fit within the regional economic context?

What economic opportunities exist in this community?

What infrastructure does this community need in order to attract the type of economic development that is desired by the community? How can this needed infrastructure be realized?

How do you conduct a market analysis?

Where are prime retail, office, or industrial locations?

How much retail and other commercial development is supportable in the area?

Where should employment centers be located?

How can development within a community best support transit?

What are the key factors that developers are looking for in site selection?

Where do development opportunities exist (urban renewal area [URA], economic development area [EDA]), and community development area [CDA] in our community?

When should public assistance or incentives be provided for economic development? What factors should be considered?

What financing tools can be used to further economic development in our community?

What are the fiscal impacts of this project on our community?

How can economic development opportunities be marketed to recruit new businesses?

How can economic development information be shared through forums and professional trade shows?

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Discussion

Planning for Economic Sustainability

What does it mean for a community to become economically sustainable? How can a community plan for sustainability? How can it encourage good development? Why is this so important?

Developing a plan for sustainable economic development is an important process for communities. Sustainable communities are better prepared to survive the "ups" and "downs" of markets, recessions, inflationary periods, etc., because they have a solid and balanced tax base that is not overly reliant on one or two industries or revenue sources. Best practices include striving for a good balance of quality jobs, a variety of development types and industries, a strong property and sales tax base, up-to-date economic infrastructure (including transportation, communication and utilities), good education and skills training, and public amenities that create a vibrant community and quality of life for residents.

An economic development strategic plan will help the community become more sustainable. However, once developed, economic development strategic plans will not become a reality unless they are accompanied by implementation plans. Implementation plans include goals, objectives, action items, and assigned responsibilities with timeframes for completion. They provide information and assistance to the development community in order to encourage preferred development types. They also include a finance plan that describes how capital facilities will be financed, as well as policies for public participation for high-priority projects.

This "Best Practices" document first describes the planning process for economic development including an explanation of economic tools, followed by a discussion of financing and implementation strategies.

All stakeholder groups need to join together to create a vision of what their community can become.

1. Planning and Visioning

What is our community vision? How do we want to describe ourselves in twenty years? Visioning is the first step in the planning process. The noted author Carl Sandburg is quoted as saying, "Nothing happens unless first a dream." Not until a vision is established can communities work to achieve their goals and objectives. Local officials, residents, business owners, service providers and developers need to join together to create a vision of what their community can become. Next, they must assess this vision against what can actually be achieved in the marketplace given the unique factors of the community – size, rate of growth, resources, access, etc.

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There are many different and successful approaches to visioning. One method that has worked well is to assemble a broad cross-section of the community to participate in workshops designed to identify their desired future.

Within these workshops, participants can take part in several community activities for visioning that help identify perceptions regarding future growth and direction. A few of these community activities are described below:

- SWOT Analysis
- Mapping Exercises
- Stakeholder Perspectives Analysis
- Surveys

SWOT Analysis. One common approach is for participants to assess the current strengths, weaknesses, obstacles and threats ("SWOT") to their community. This is generally done with one person leading a discussion, another serving as the recorder to write down the ideas suggested, and the remaining group members suggesting thoughts that fall into each of the four categories.

Sample SWOT Matrix

STRENGTHS	OPPORTUNITIES
Good population growth. *High incomes.* *Large amount of vacant land.*	*Recapture large amount of lost sales tax leakage.* *Major corridor to be developed through the area – capitalize on commercial development in this area.*
WEAKNESSES	**THREATS**
Lack of infrastructure to large areas of vacant land. *No existing arterials with high traffic counts.* *Limited access and visibility.*	*Annexation of adjacent property could preclude development at key sites along new highway corridor.* *Lack of political support for public assistance and tax increment financing.*

Mapping Exercises. Workshops may also provide activities with maps where attendees draw where they would like to see future roads, parks, commercial development locations, etc. This exercise is most successful when participants join around large tables that seat between six and eight persons and are given markers and pens to draw directly on maps. One map can be used to capture all comments; however, different maps for roads, for parks and recreation, for economic development, etc. can also be used.

Stakeholder Perspectives Analysis. Another popular visioning activity is to ask participants to describe how their community will look in the future – through the eyes of different stakeholders – business owners, chambers of commerce, the elderly, young families, etc. This approach is helpful in identifying the needs of different demographic groups, broadens viewpoints of what needs to take place, and helps to avoid placing too much emphasis on single items – or participants with an agenda.

Stakeholder Perspectives

Retired population	*Cultural arts, education, public transit and ease of mobility, retirement communities*
Young families	*Affordable housing, recreation programs and facilities*
Business owners	*Maintenance of commercial areas*

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Surveys. Surveys provide a means of reaching a broad audience regarding preferences on a wide variety of subjects, including economic development. Many communities post surveys on their website. However, in order to reach a wide group and achieve a better response rate, many have also included surveys with their water bills (or as separate mailers),

Sample Goal, Strategy and Action Plan

GOAL: DEVELOP A VIBRANT AND ACTIVE "DOWNTOWN" FOR THE COMMUNITY.

STRATEGY: DEVELOP A PLAN FOR AN IMPROVED APPEARANCE OF THE "DOWNTOWN" AREA THAT INCLUDES BETTER MAINTENANCE OF PAVED SURFACES.

ACTION STEPS	TIMELINE
Assign a project chairperson	*Immediate*
Identify maintenance needs and rank in order of priority:	
▪ Those that pose an immediate risk to health and safety	
▪ Those that can be accomplished in conjunction with other high priority downtown projects	*Short-term*
▪ Those that would have a significant beneficial impact on the appearance of key sites in the downtown	
▪ Those that would have only a modest beneficial impact on the area	
Identify funding sources for individual projects	*Ongoing*
Fund and implement the maintenance plan in order of priority	*Ongoing*
Identify funding sources for increased maintenance staff to keep pace with all highest priority maintenance of projects	*Ongoing*

Typical survey questions regarding economic development include:

- What is the single greatest economic priority for our community? (can provide a list with options such as jobs, retail shopping, better transit, housing choices, etc.)
- Where do you do most of your shopping for groceries, building supplies, clothing, furniture, etc.? List of competitive locations.
- What goods and services would you most like to have available in the community but that are not presently available?
- What is the single greatest improvement that could be made to the "downtown" or "Main Street" area?
- What improvements need to be made in the downtown?
- How would you best describe downtown, Main Street?
- Where is your workplace?
- How do you presently commute to your workplace?
- What is your preferred means of traveling to your workplace?
- On a scale of 1 to 5, please tell us how important it is to provide the following goods and services locally; then on a scale of 1 to 5 please tell us how well we are currently doing in providing those same goods and services (provide list with items such as variety of job types, different retail goods and services, etc.)
- Demographic questions regarding age group, geographic location in the City, length of time residing in the area, etc.

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provided for return postage prepaid (e.g., return postage is paid by the community, but only on returned surveys albeit at a higher rate on the returned mail), and compiled results.

Generally, mail surveys in communities across Utah have had a response rate of 15 percent to 20 percent. Best practices include asking for age and geographic location information from the respondent so that results can be sorted by these factors. For example, the question was asked in one community, "Do you want more shopping opportunities in your neighborhood?" The results are far more helpful when they can be viewed by neighborhood, rather than an assessment of the community overall.

Visioning Summary – Goals, Strategies and Action Plans. As themes emerge from the various workshops, surveys, or other activities, then goals, strategies and action plans (with timeline and responsible parties) can be created. Please refer to the chart on the opposite page for a sample of such a plan.

Goals and strategies must also be assessed in the marketplace. Market analysis tools are provided in the following sections.

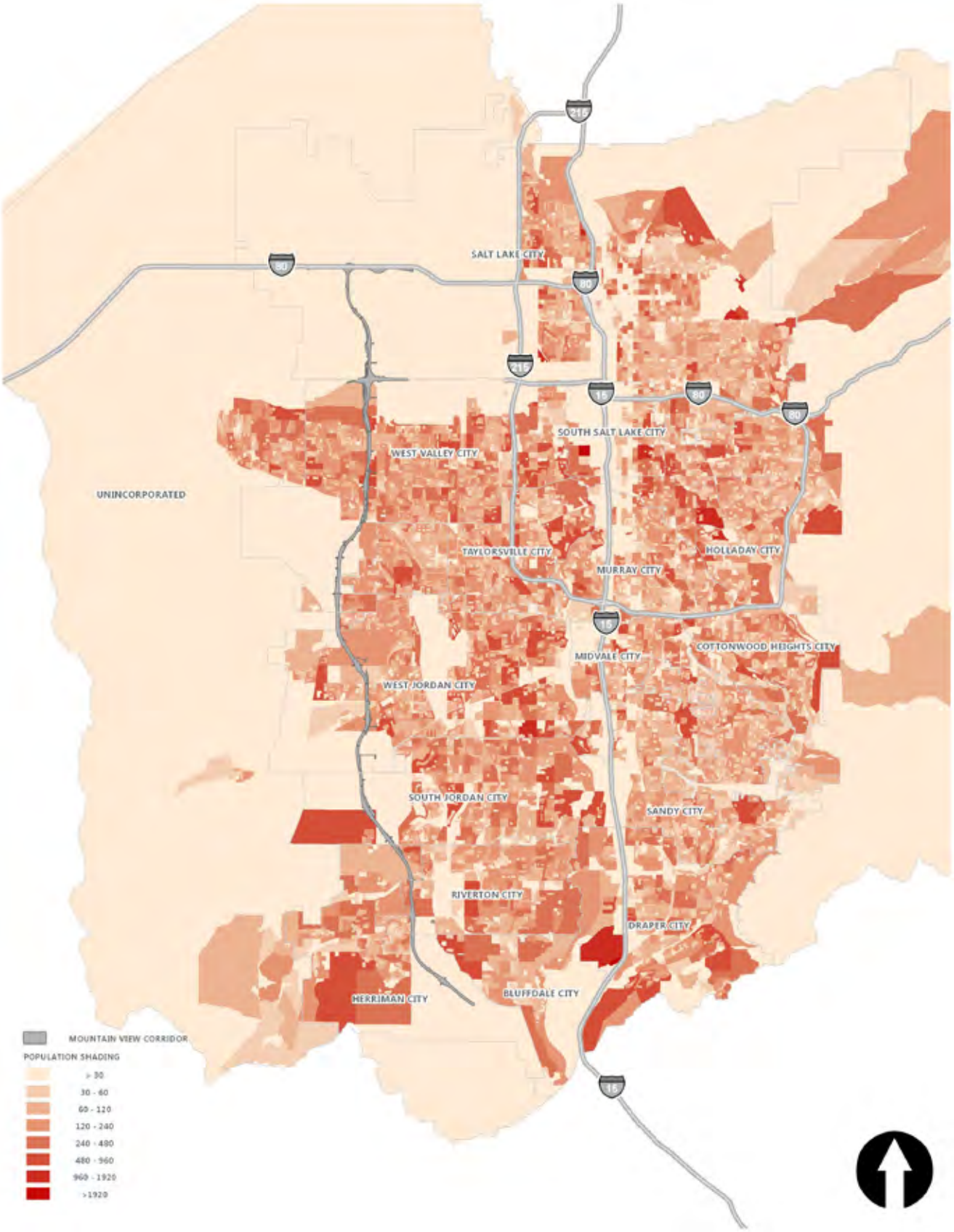
2. Assessment of Current Economic Conditions

How do you describe the economic baseline in our community today? How rapidly are we growing? How do you describe our community in comparison to other areas? Will developers see us as a good place to develop?

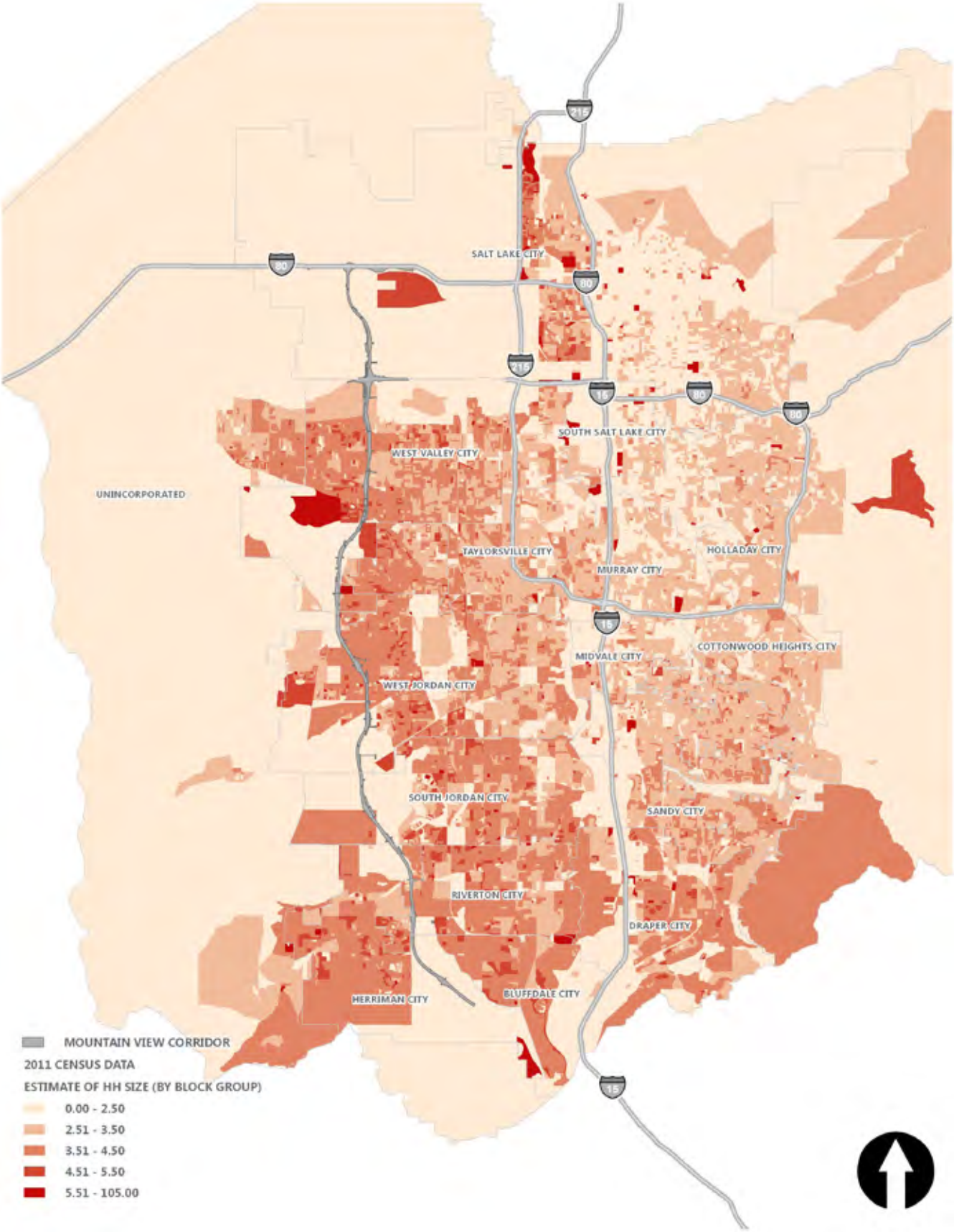
Any assessment of economic sustainability must begin with a solid understanding of current conditions. Detailed demographic information about the households that live in a community can be obtained from the recently released 2010 Census (see Resources). The census gives population information at the following levels: county, city, census designated place (CDP), tract, block group and block. Information can be gathered for an area such as: total population and households; average household size (i.e., number of persons per household), median age, average incomes, educational levels, race data, etc.

The cost of business is an important consideration in this assessment. How does the process of development approval encourage growth? The permitting process should be consistent and predictable to encourage development.

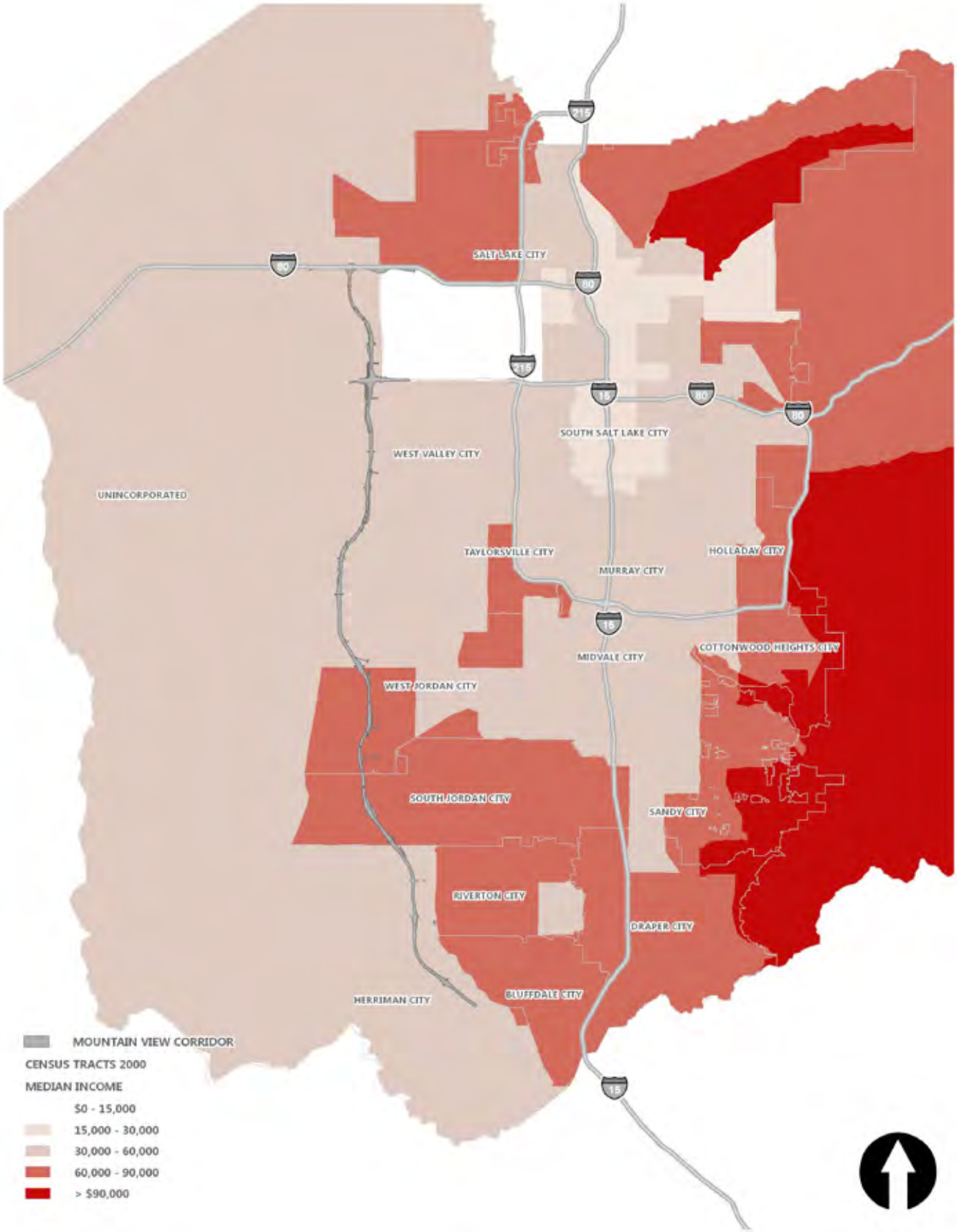
Salt Lake County 2011 Census Data: Population



Salt Lake County 2011 Census Data: Household Size



Salt Lake County 2011 Census Data: Median Income



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Population growth rates should be compared within the overall region, as well as with neighboring communities. The reasons for differing growth rates between communities should be considered. Are these reasons due to a lack of suitable land for development, higher taxes and fees in one community than another, housing product type available in the area, transportation systems or lack thereof, utility constraints, local regulations and policies, etc.?

Census data also allows for comparisons of household characteristics (median age, household size, income, etc.) between various areas of the County. What is the unique nature of each community? These community profiles are important to businesses and developers because they make a difference in the types of retail demand. For example, communities with large student populations can experience an inordinate amount of retail spending on fast food and restaurants, as well as for used cars, assuming that these goods and services are available locally. Communities with young families and entry-level incomes may be more value or price conscious, while areas with higher incomes may seek more upscale retail, restaurant and entertainment options.

Major employers should be identified as part of the baseline analysis. This information is available through the Utah Department of Workforce Services (see Resources). Major employers will attract residents to work and live in a community, provide a stable tax base and add to the community's perceived image.

Educational resources are also key to development. Colleges, universities, and applied technology campuses should be seen as key to attracting growth.

Sales tax information is also an important part of baseline conditions and is described under the section "Retail Market Analysis." This data can be analyzed to identify trends and future retail development opportunities. Sales tax data can be obtained from the State Tax Commission (see Resources).

The availability of vacant land is critical to future economic development, as well as an understanding of the key locations for commercial development (and redevelopment) relative to vacant land, ownership and size of key parcels (i.e., vacant land located at or near prime commercial sites).

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3. Infrastructure

What do we mean by infrastructure? What type of infrastructure is needed in a community? For sustainability? For various types of development? Economic infrastructure includes transportation (airports, roads, mass transit, rail, etc.), communications (broadband access), and utilities (water, sewer, natural gas, and electric).

3a. Transportation

Where are our prime development sites in terms of transit? What transportation improvements are most important to businesses? Key transportation infrastructure includes major highways and arterials, airports, railroads, light rail, commuter rail and bus rapid transit. Traffic counts along key roadways are an important indicator of the types of development that could be supported in an area. Some types of development, especially national-chain retail stores, require a certain level of average daily trips (ADT) before they will even consider locating at a site. Traffic count data can be obtained online from the Utah Department of Transportation (UDOT) (see Resources).

Access is also an important factor in economic development. For example, while traffic counts along Bangerter Highway are high, access is limited to the areas around the intersections that are spaced approximately ten blocks apart. Therefore, commercial development is only viable at or near these intersections, even though traffic counts are high all along the highway. Commercial development along major corridors is sometimes increased through the use of frontage or access roads.

Some development types, such as factory outlet stores, rely on a combination of traffic counts, visitor counts, and distance from major metropolitan centers (see chart in sidebar). Visibility from major transportation routes is another factor.

Examples of Traffic Count Requirements

1. IHOP: >28,000 ADTs

http://www.ihop.com/index.php

2. Papa Gino's Pizza: 20,000 ATDs

http://www.papaginos.com/franchise/real_estate.html

3. Golden Corral: >25,000 ADTs for independent "smaller" cities/towns

http://www.goldencorral.com/franchise/development.asp

4. Jiffy Lube: 20,000 ADTs

http://www.franchisebrief.com/franchises/jiffy-lube-franchise.php

RECOMMENDATIONS FOR FACTORY OUTLET STORE DEVELOPMENT	
Population	*1M - 2.5 million in 100-mile radius*
Traffic Counts	*30,000 – 75,00+ ADTs*
Distance from Shopping Center	*20 miles*
Tourism	*3 - 4 million annually*
Income	*Varies*
Source: Various Factory Outlet Developments	

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3b. Communications

How competitive and up-to-date is this community in technology? In today's technology-oriented society, it is critical for communities to be competitive in providing high-speed broadband technology – not only in commercial areas, but also to attract an educated workforce to live within city boundaries. Internet connection speeds have an impact on economic growth and innovation, particularly in the emerging areas of social media and online commerce.

3c. Utilities

Do we have sufficient water rights for future economic development? What types of development may be limited by the availability of water? How do our utility costs compare? Sufficient water rights, as well as water and sewer infrastructure, must be available at a site in order for development to take place. The lack of these facilities will limit the density of development and prohibit many retail types from developing. Where water and sewer are not readily available, and economic development would otherwise occur, communities need to consider how they can work with the private sector to assist in putting in the needed infrastructure. Electric power, as well as the cost of power as compared to neighboring communities, is a key factor for many types of industries. See Financing, Public Finance Assistance and Government Options.

Funding of infrastructure for key sites should be a community priority.

Investments in transportation can focus development in key areas.

3d. Available Land

How do we identify prime land for commercial development and encourage the highest and best use of priority sites? Communities need to have an available supply of shovel-ready land – land that can be built on within the next six months. This means that the land is appropriately zoned and that utilities are present at the site. Utilities include water, sewer, energy and broadband telecommunications. Access, visibility, and roads are also key components of the economic infrastructure.

Key locations for future development should be analyzed. This is done by first reviewing the County's map of vacant properties (From the annually updated Assessor's Parcel Database). Parcel numbers can then be pulled and acreages researched for each available parcel.

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This County map should also be reviewed in conjunction with traffic counts at key intersections, transit routes and stops, planning maps showing future transit development and zoning. These maps are all available through Salt Lake County.

Funding of infrastructure for key sites (as well as for targeted industries and business types) should be a community priority. This can be accomplished through a variety of means including tax increment funds, special assessment areas, and prioritizing public works projects. (Funding mechanisms are discussed in Financing, Public Assistance Options and Government Options.)

Also necessary is infrastructure gap analysis, the process of defining infrastructure deficiencies, prioritizing locations for development, and determining costs and issues related to constructing, financing, and implementing key infrastructure projects.

To the extent possible, private or public investment should be maximized, with public assistance allocated to projects that would not proceed or for which the community could not compete without public funding.

4. Job Creation and Labor Force

How can we create jobs in our community? What type of jobs do we want in our community? Educational levels, skills and prevailing wages in a community are a critical factor in business expansion and recruitment. Specialized vocational or industry specific training is critical to target recruitment for economic development. Communities should assess current employer needs and match these needs with the skills and training that is available in the local community. This is done by contacting vocational schools in the regional area to identify classes and training currently being offered (e.g. Salt Lake Community College's Custom Fit program--see Section 11k.). This list should be matched with a survey of needed skills that could be obtained from workforce services, as well as key employers in the area.

2010 WORKFORCE PROFILE					
	PERIOD	*AVERAGE NON-FARM JOBS*	*ESTABLISHMENTS*	*AVERAGE MONTHLY WAGE*	*PAYROLL*
Salt Lake County	*3rd Quarter*	*571,475*	*35,934*	*$3,528*	*$6,047,907*
Statewide	*3rd Quarter*	*1,180,931*	*81,953*	*$3,169*	*$11,228,617*
Davis County	*3rd Quarter*	*101,841*	*6,492*	*$3,034*	*$926,824*
Utah County	*3rd Quarter*	*173, 613*	*12,221*	*$2,854*	*$1,486,464*
Tooele County	*3rd Quarter*	*15,936*	*984*	*$3,370*	*$161,083*
Summit County	*3rd Quarter*	*19,104*	*2,327*	*$2,872*	*$164,557*
Source: Utah Department of Workforce Services (http://jobs.utah.gov/jsp/wi/utalmis/gotoCounties.do)					

Labor costs play a key role for businesses as they evaluate where to locate. Average wages in Salt Lake County are somewhat higher than in surrounding areas, especially in comparison to Utah County.

5. Housing Choices and Other Quality-of-Life Factors

What are housing choices? How do I determine if we have adequate housing choices? What amenities will attract people to live in my community?

Housing choices are an important factor in economic development. Housing costs must be compatible with wages paid in the area. Generally speaking, housing costs, including utilities, should not exceed more than 30 percent of household income.

Comparative housing costs can be obtained through several means. The most recent Census data (2010) will provide a good comparison until market conditions begin to change. Updated housing costs can be obtained through the American Community Survey as well as other sources listed in the Resources section.

If housing costs in a community appear to be rising rapidly, the community may need to consider policies for smaller lot sizes, or encouraging more attached units that lower costs with shared walls and common outdoor spaces. See Housing Best Practices.

The quality of schools is a key component in attracting businesses to an area. Employees want to live where there are good schools. Local school districts have information regarding school test scores that, when favorable, can be used as a marketing tool by a community.

Safety ranks as one of the top concerns that people have about living in a particular area. Low crime levels are also important in attracting business.

Recreation, shopping and entertainment options also play a role in economic development. Other quality of life factors that impact economic development are listed in the chart in the sidebar.

ALPHABETICAL LIST OF QUALITY-OF-LIFE ATTRACTION FACTORS	
Affordable car insurance	*Low property taxes*
Affordable medical care	*Low risk of natural disasters*
Clean air	*Low risk of tax increase*
Clean water	*Low sales tax*
Close to big airport	*Low unemployment*
Close to colleges/universities	*Many hospitals*
Close to relatives	*Museums nearby*
Close to skiing area	*Near a big city*
Diversity of local firms	*Near amusement parks*
Far from nuclear reactors	*Near lakes or ocean*
Good public transportation	*Near national forests and parks*
Good schools	*Near places of worship*
High civic involvement	*New business potential*
High marks from ecologists	*Plentiful doctors*
Housing appreciation	*Proximity to major league sports*
Inexpensive living	*Proximity to minor league sports*
Lack of hazardous wastes	*Recent job growth*
Local symphony orchestra	*Short commutes*
Low crime rate	*Strong state government*
Low housing prices	*Sunny weather*
Low income taxes	*Zoos or aquariums*

Source: Thinking and Acting Regionally in the Greater Wasatch Area: Implications for Local Economic Development Practice.

Generally speaking, housing costs should not exceed more than 30 percent of household income.

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6. Retail Development

6a. Retail Market Analysis - Sales Gap, Leakage, & Capture

How can we attract more retail businesses to locate in our community? Sales gap or leakage data is the estimated amount of purchases made by residents outside of their community. Leakage demonstrates areas of opportunity – where communities can recapture some of their lost sales where residents are leaving the local area to make purchases. Sales leakage data is estimated by taking the actual purchases in a community and dividing by the number of households or population to determine the average spending per household and per capita. This represents purchases made within a community. This data is then compared with average per capita (or per household) purchases statewide. The difference is the leakage.

SALES LEAKAGE EXAMPLE - ESTIMATED CAPTURE RATES					
NAICS Major	*2009*	*2008*	*2007*	*2006*	*2005*
Motor Vehicle and Parts Dealers	*5%*	*4%*	*NA*	*3%*	*NA*
Furniture and Home Furnishings Stores	*112%*	*112%*	*NA*	*28%*	*NA*
Electronics and Appliance Stores	*83%*	*86%*	*90%*	*73%*	*66%*
Building Material and Supplies Dealers	*123%*	*119%*	*145%*	*134%*	*112%*
Food and Beverage Stores	*107%*	*101%*	*208%*	*128%*	*14%*
Health and Personal Care Stores	*21%*	*22%*	*18%*	*18%*	*22%*
Gasoline Stations	*69%*	*62%*	*59%*	*41%*	*46%*
Clothing and Clothing Accessories Stores	*53%*	*46%*	*39%*	*17%*	*16%*
Sporting Goods, Hobby, Book, and Music Stores	*24%*	*23%*	*7%*	*7%*	*7%*
General Merchandise Stores	*61%*	*61%*	*53%*	*42%*	*42%*
Miscellaneous Store Retailers	*16%*	*13%*	*19%*	*13%*	*17%*
Non-Store Retailers	*27%*	*22%*	*25%*	*34%*	*29%*
Accommodation Services	*105%*	*91%*	*81%*	*58%*	*21%*
Total	*75%*	*71%*	*59%*	*52%*	*38%*

**NAICS is the North American Industry Classification System and is the standard used by Federal statistical agencies in classifying business establishments.*

The results of a sales leakage analysis must always be compared with development and sales data in surrounding communities. If comparing grocery store leakage, where are other grocery stores located? Are they located near the borders where they draw sales from one community to another? For example, if one community has a net loss (leakage) of $700 per person, but a neighboring community has a net gain of $700 per person (over and above the expected sales), then it is likely that residents are crossing municipal boundaries to do their grocery shopping.

Use of GIS Mapping to determine market area support.

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However, if you encourage another grocery store because it is determined that there is leakage, the development may not actually capture the leakage, but rather dilute the other grocers market share in the area. This is referred to as "cannibalizing" the market. Key site locating is important to prevent cannibalizing of existing development.

6b. Capture Analysis

If sales leakage exists in a community, what percentage of these sales can be recaptured? In order to estimate capture rates, it is helpful to map all of the grocery stores in the existing community, as well as in the surrounding areas, in order to assess the true potential for recapturing lost sales or for additional development. Then, locating a potential new grocery store on the map, the developer should visually draw the market area for the new store. In most cases, distance and the location of neighboring stores are the key factors in determining market areas. However, in some areas, where physical barriers exist (i.e., freeway crossing, rivers, railroad tracks, etc.), travel time is the true determinant of market area.

SALES LEAKAGE EXAMPLE

If a community of 10,000 persons had grocery store sales of $5,000,000 in a given year, the average spending per capita would be $500 ($5,000,000 divided by 10,000). In comparison, grocery store purchases in Utah average approximately $1,200 per person statewide. This suggests that the community is losing $700 per person, or about $7 million annually. The community is capturing roughly 42 percent ($500/$1,200) of all purchases made by its residents, suggesting there is opportunity for further grocery store development in the local area as shoppers generally desire to purchase food products close to home.

Will the selected market area support another grocery store? Sophisticated developers use mapping software called Geographic Information System (GIS) that can show the population in a designated area. Without the use of GIS, a general estimate can be made, however, by identifying the traffic analysis zones (TAZ) (see Resources) within the market area and looking up the population and employment, current and projected, within those zones. This information can then be used to assess buying power and determine if there is sufficient buying power to support another retail store (of a specific type, such as a grocery store) within the given area.

MARKET SHARE ANALYSIS

Building Materials and Supplies Dealers	*2003*	*2009*
City 1	*1.30%*	*0.70%*
City 2	*3.5%*	*8.20%*
City 3	*0.00%*	*16.00%*
City 4	*31.60%*	*30.40%*
City 5	*63.60%*	*44.70%*

6c. Market Share Analysis

What share of the market are we now capturing? What share can we capture in the future? A market share analysis can be conducted for individual store types or for retail centers. It shows the percentage of total sales in the larger market area that are being captured by a particular location or store. For example, if a community is only capturing ten percent of sales in a particular retail category, yet it represents 30 percent of the regional population, it may be able to capture additional sales.

Category	Median Sales Per Square Foot
Supermarket	$391.90
Restaurant with Liquor	$232.83
Furniture	$259.43
Electronics	$294.15
Cards and Gifts	$125.48
Jewelry	$322.36
Source: Urban Land Institute, Dollars & Cents of Shopping Centers	

The first step is to identify the primary market area – the area from which the store or shopping center draws most of its customers. The current and projected population, as well as employment base in the market area is then calculated. General requirements for retail centers, including size and required population, are shown in the table below as provided by the Urban Land Institute.

Some retail stores generate more sales tax revenues for cities than do other types of stores. Retail sales will vary based on the type of store, as well as the size of the store. For example, average sales per square foot for a variety of store types are found in the chart to the right. Many communities compete against each other to attract stores with the highest sales per square foot. Examples of this would be Costco and other big-box stores that generally have sales of well over $400 per square foot. While this practice occurs, it is not a best practice, and does not make for good planning, nor does it create additional revenue streams. It simply transfers revenues from one area to another. Transference can also happen within the local government boundary as well.

Shoppers are attracted to locations where there is a large selection of goods and services.

When tax increment funds or other public assistance is used to support retail development, it simply diverts tax dollars from one area to another area and does not result in increased revenues in the regional area.

EXAMPLE OF GENERAL REQUIREMENTS FOR RETAIL CENTERS					
TYPE OF CENTER	LEADING TENTANT	TYPICAL GLA SQ FT	GENERAL RANGE IN GLA	USUAL MIN. SIZE (ACRES)	APPROX. MINIMUM POPULATION SUPPORT REQUIRED
Neighborhood	Supermarket	60,000	30,000-100,000	3-10	3,000-40,000
Community	Supermarket, drugstore/pharmacy, discount department store, mixed apparel	180,000	100,000-400,000	10-30	40,000-150,000
Regional	One or two full-line department stores	600,000	300,000-900,000	10-60	150,000 or more
Super Regional	Three or more full-line department stores	1,000,000	600,000-2,000,000	15-100 or more	300,000 or more
Source: Urban Land Institute, Retail Development 4th ed.					

6d. Business Clusters

What is a business cluster? How can they benefit retail development? Shoppers are attracted to locations where there is a large selection of goods and services. For example, clothing stores generally thrive when located near other clothing stores. Car dealerships

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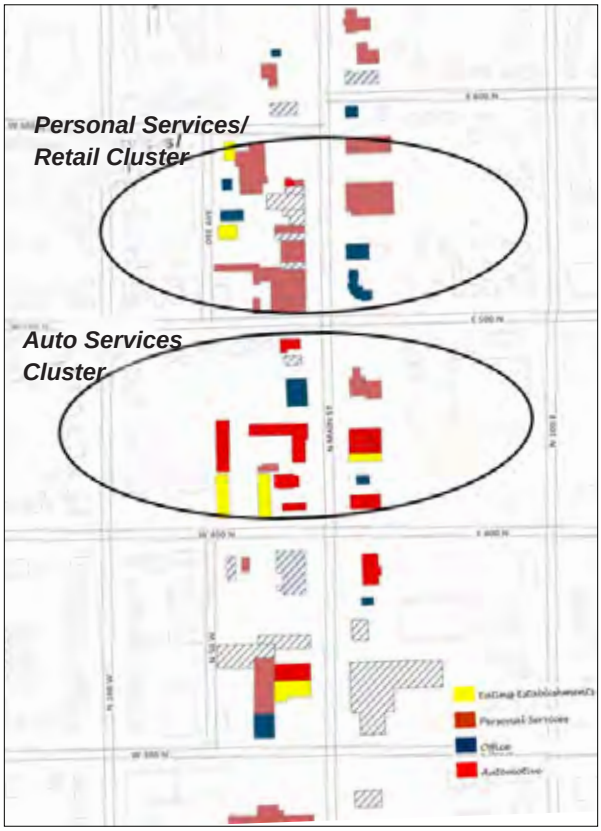
locate in clusters because customers are attracted to areas with a wide variety of automobiles.

Clusters also include similar types of businesses such as wedding clusters (jewelry stores, tux rentals, bakeries, florists, etc.) or fitness clusters (sporting goods, running shoes, health foods, exercise equipment, etc.). These businesses benefit from being in close proximity to each other by catching the spillover traffic from a nearby shop.

Communities or developers may want to map existing stores to see what type of clusters currently exist, which ones could be strengthened and built upon, as well as identify opportunities to develop new clusters that would work well with the demographic profile of the community.

Business clusters are also important in evaluating the role that different locations within a community play. For example, the type of development in a downtown area may focus more on specialty stores, restaurants, personal services such as haircuts, and smaller-scale development, while development near a freeway interchange may include lodging, car dealerships, big box stores, fast food, restaurants and larger-scale development.



Example of business clusters.

7. Office and Industrial Market Analysis

How do you evaluate the potential for office and industrial development in a community? In order to understand the potential for office market development, it is helpful to know information such as: current rental rates in different parts of the County, vacancy rates and the number of new square feet of office or industrial space that was occupied during the past year (commonly called absorption). This data is available online from sources such as Commerce Real Estate Solutions, Coldwell Banker and NAI Utah (see Resources).

On average, the Salt Lake Valley has absorbed 650,000 square feet of office space per year for the past seven years. However, absorption fluctuates greatly from year to year based on varying market conditions (refer to chart in sidebar).

ABSORPTION SQUARE FOOTAGE				
YEAR	*CBD*	*PERIPHERY*	*SUBURBAN*	*TOTAL*
2010	*21,570*	*-23,964*	*-102, 823*	*-105,217*
2009	*-165,198*	*-51,271*	*304,522*	*88,050*
2008	*76,468*	*26, 008*	*204,884*	*307,360*
2007	*-55,864*	*270,266*	*938,900*	*1,153,302*
2006	*127,044*	*130,036*	*617,955*	*875,035*
2005	*297,460*	*211,838*	*949,735*	*1,459,033*
2004	*43,572*	*92,286*	*635,134*	*770,992*
Source: Commerce Real Estate Solutions				

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The question becomes, “What percentage of this development can realistically occur in our community?” Or, in economic terms, “What percentage of the market can we capture?”

Rents and vacancy rates are another important factor in assessing development potential. Office rents are generally based on either Triple Net (NNN) or Full Service (FS). A NNN lease is a type of lease in which the tenant pays all or part of the taxes, insurance and maintenance associated with use of the property. These fees are paid in addition to the tenant’s regular monthly rent. These types of leases favor the landlord and should be carefully negotiated in order to limit how much the landlord can increase the NNN fees each year.

A Full Service (FS) lease includes in the rent payments the cost of certain types of services – janitorial, utilities, property taxes, etc. Therefore, rents quoted as “full service” are higher in comparison to NNN rents in the same area.

Due to the natural turnover in the market, there are always some vacancies. Generally, a five percent vacancy rate is considered full occupancy.

Capitalization (CAP) rates are often used to assess the true value of a property. A CAP rate equals the annual net operating income divided by the cost or the current value of the property.

$$\text{CAP Rate} = \frac{\text{Annual Net Operating Income (NOI)}}{\text{Cost (Value)}}$$

CAP rates are provided by all of the major brokers for a variety of commercial development types in their annual reports. A potential buyer of a commercial building might want to first obtain the current CAP rates, as well as the annual net operating income for the building he is purchasing. The buyer can then compute the “value” of the building in today’s market and compare that with the asking price of the property.

CAP rates are also used to assess the highest and best use of vacant land. By applying appropriate but varied CAP rates for a variety of development types – apartment, retail, office, industrial, etc. – and using current market rent and vacancy rates to estimate net operating income, a property owner can assess the resulting land value under each of the development scenarios.

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8. Sustainable Commercial Development

Is the amount of commercial development in our community equal to what the community can support?

Many communities zone large amounts of acreage for commercial (retail, office and industrial) development. How much acreage is truly sustainable? Based on the number of commercial square feet in Salt Lake, Weber, Davis and Utah counties, the sustainable square footage is approximately 22 SF of office space per capita, 96 SF of industrial space, and 29 SF of retail space. As the population grows, sustainable commercial development can occur in approximately similar ratios.

Clearly, communities need to assess their individual needs and preferences for commercial development, their role in the regional market, and provide for sufficient commercial space to allow for flexibility in commercial development. However, zoning for too much commercial space will not necessarily attract additional commercial development but is more likely to lead to poor planning and spotty development patterns.

	SALT LAKE Co.	WEBER Co.	DAVIS Co.	UTAH Co.	AVERAGE	WEIGHTED AVERAGE
Population 2010	1,029,655	231,236	306,479	516,564		
Office SF*	31,282,745	2,551,063	2,553,930	9,294,059		
Industrial SF*	111,840,216	32,211,920	26,106,135	30,071,498		
Retail SF*	37,352,228	5,904,675	7,449,808	10,391,821		
Office SF per capita	30	11	8	18	17	22
Industrial SF per capita	109	139	85	58	98	96
Retail SF per capita	36	26	24	20	27	29
Total commercial SF per capita	175	176	118	96	141	147

Source: Commerce Real Estate Solutions, Year-end 2010 Market Review

In order to "translate" building square footage requirements into the number of acres that a community would need to designate for a particular development type, a floor area ratio (FAR) is used. This ratio compares the total building square footage to the total square footage of a piece of property. For example, a building with 5,000 square feet situated on a one-acre piece of property (43,560 sf) would have an FAR of 0.11 (5,000 ÷ 43,560). By considering the density and massing of existing development in the area or of desired development, a community can use the FAR, along with its estimate of supportable building square footage, to project the desired acreage for each development type.

$$\text{Acres needed} = \frac{\text{Building SF}}{(43{,}560 \times \text{FAR})}$$

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For example, on average, a community with a population of 20,000 persons could support roughly 86 acres of retail, 37 acres of office and 247 acres of industrial development. However, each community must also assess its role in the overall region. A regional center can support more acreage, while a bedroom community will support less commercial acreage. Also, industrial development varies widely from community, based on proximity to major transportation corridors, airport and rail services.

SUPPORTABLE COMMERCIAL ACREAGE: 20,000 POPULATION				
YEAR	*SUPPORTABLE BLDG SF PER CAPITA*	*FAR **	*SUPPORTABLE BLDG SF*	*ACRES*
Retail	*28*	*0.15*	*560,000*	*86*
Office	*20*	*0.25*	*400,000*	*37*
Industrial	*97*	*0.18*	*1,940,000*	*247*

**FAR is the floor area ratio and represents the total building square footage of a project, compared to the total land area. As the FAR increases, the number of supportable acres decreases; as the FAR decreases, the number of supportable acres increases.*

Higher FARs mean more density and massing in a development to make the project economically feasible. This entails additional infrastructure costs, such as larger parking structures, which can add to infrastructure gaps unless addressed properly.

9. The "Main Street" Approach and Downtowns

Downtown areas can thrive with targeted, appropriate investment.

How can our downtown be a vibrant destination and the heart of our community? Main Streets – the heart of many communities – often struggle due to a lack of reinvestment in the "downtown" area. Often, investment dollars are being spent on the outskirts of town or near freeway interchanges. As a result, downtown gradually takes on a rundown appearance, vacancies and boarded-up storefronts appear, and rents decrease. There are tools available for communities to change this cycle of disinvestment.

The National Main Street Organization has developed a four-point approach to economic development that includes: 1) Organization; 2) Marketing; 3) Streetscape and Design; and 4) Economics. This approach recognizes that strong downtowns are based on all of these elements working together. At one point, a downtown may need to focus on its streetscape and design, while at another time it may be more important to pull businesses together in a joint marketing campaign.

An organization for downtown can be formed that will identify and work to solve issues in the area. This organization can focus on cleanup activities; improving infrastructure such as street lighting, sidewalks and pavers; safety issues; a marketing and awareness campaign for downtown; façade renovations, etc. Every downtown has unique issues and opportunities which must be identified so that limited resources are directed to the most noteworthy and important areas.

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For example, Richfield, located in central Utah along I-70, is a regional retail center. However, the market area is still not large, and many residents frequently leave the area to do their shopping elsewhere -- particularly in Utah County. Recognizing that it does not have the buying power to offer as wide a selection of goods as Utah County, Richfield conducted a survey in order to gain a better understanding of community needs and preferences. From these initial efforts, a downtown committee developed the slogan, "Just the Right Stuff – Downtown Richfield" to portray that they were responding to the community's preferences.

The Richfield community developed a new slogan for their downtown to portray that they were responding to the community's preferences.

10. Marketing and Recruitment

What type of information will attract developers to the area? Many communities choose to prepare a marketing flyer for distribution by the City to potential developers, as well as posting information on the community's website. Generally, marketing material includes some demographics that are appealing about the community -- such as a graph or map displaying growth rates, household sizes, incomes and educational levels.

The marketing material often includes sales leakage information, the city's general policies or willingness to provide incentives to new development, key sites for future development, summary of successful development taking place in the city and statements from developers about the favorable business climate in the city.

Accessibility to certain locations available for immediate development is also key to recruitment. Links to real estate listing, concept plans, etc, can help to attract new business.

11. Financing, Public Assistance Options and Government Policies

What financing tools are available to encourage our development priorities? What funding tools should developers be aware of to assist them with development? Local governments in Utah have a number of tools available for encouraging economic development and for financing needed capital facilities related to economic development on a tax-exempt basis. Competition for key businesses can be intense and communities need to carefully consider policies of when public assistance should be provided to encourage economic development. Policies may differ between communities but should always be developed to promote: 1) the maximum investment by the private sector; 2) redevelopment of underutilized and key properties; 3) job creation with above-average wages; and 4) coordination with the State of Utah in using Economic

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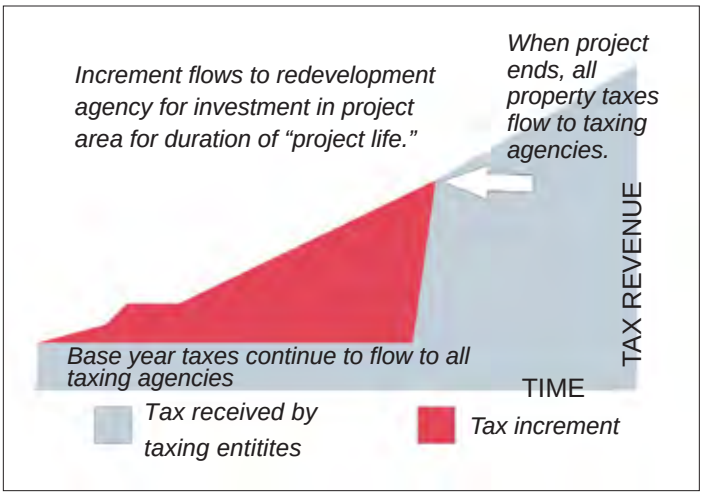
Development Tax Increment Financing (EDTIF) funds to attract key businesses to the State.

Best practices include a financing strategy that includes: 1) economic development incentives; and 2) financing mechanisms for capital improvements necessary for economic development to occur.

Specific tools are listed below, with more information provided in the Appendix.

Example of Tax Increment Financing



TAX INCREMENT EXAMPLE	
Total taxable value	*$10,000,000*
Baseline taxable value	*$2,000,000*
Incremental taxable value	*$8,000,000*
Tax rate	*0.000326*
Incremental revenues	*$2,608*

11a. Utah Community Development & Renewal Agencies Act (CDRA)

Tax increment financing can be an attractive option to developers because it provides public assistance and funding for improvements, infrastructure, land write-downs, etc., in partnership with private investment in an area. The purpose is to encourage development to take place in areas that are deteriorating, to create jobs, or to assist with important community projects.

The main steps in establishing a tax increment area include:

- Formation of a Community Development Redevelopment Agency (must only be created once by a community, not for each project)
- Creation of a project area plan and budget
- Approval of taxing entities

The first step of redevelopment is the creation of a Redevelopment Agency by a local governmental entity. After the Agency is created, there are three types of redevelopment areas that can be formed by the local entity: Urban Renewal Area (URA); Economic Development Area (EDA); and Community Development Area (CDA).

A **URA** is formed in an area that has deteriorating properties, high criminal activity, excessive vacancies or abandoned buildings, potential environmental or health issues, etc. To be eligible, 50 percent of the parcels must have improvements (i.e., buildings) and these parcels must cover at least 66 percent of the land area in the URA. The purpose of a URA is to eliminate or reduce blight – a term used in the Utah Code to describe conditions in these areas. The power of eminent domain is

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allowed in these areas, meaning that in order to achieve the purposes of the redevelopment the governmental authority may require a landowner to sell property at market prices (after fair appraisals). However, Utah law greatly restricts the ability of government to use eminent domain for residential and commercial development.

An **EDA** is formed in an area for the purpose of attracting new jobs to the area and a **CDA** is formed to encourage a wide range of community development projects. No power of eminent domain is given to EDA or CDA areas.

Project area plans and budgets should be created for each project area in accordance with the requirements of Utah Code Title 17C – the Community Development and Renewal Agencies Act.

Public funding for projects in the redevelopment areas comes from tax increment. What is tax increment? Some people mistakenly assume that this means higher taxes. But it doesn't. Rather, it is the additional tax monies that are generated in a redevelopment area as a result of increased value from development in that particular area. Increment value is determined by calculating the difference between a baseline property value, set when the project area is established, and the additional property value from development. Tax increment from a project area is available for a specific number of years as agreed upon by the taxing entities. Therefore, timing becomes especially important in the creation of project areas in order to maximize the amount of increment generated and returned to development within the project area boundaries.

Tax increment funds (TIF) can be monetized (i.e., you can borrow against the future tax increment revenue streams in order to provide up-front funds to build infrastructure), because TIF revenues are more risky and unpredictable compared to other revenue sources and therefore generally carry a higher interest rate than GO or revenue bonds. Also, lenders prefer multiple years of revenue history and generally allow only $0.33 - $0.50 on the dollar of the increment generated to be monetized (or borrowed against).

For example, if a TIF area generates $100,000 in tax increment revenues per year, only $33,000 to $50,000 of those funds can be used for annual debt repayment because the lenders require more excess funds, known as the debt service coverage ratio, for tax increment bonds than for other types of bonds that investors consider to be relatively less risky.

However, a community can choose to use other revenue sources as a

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security pledge to acquire the bond, and then use tax increment funds as a repayment source. If TIF funds fall short of repayment amounts, other pledged revenue sources must be used to make up the difference.

The amount of public assistance provided in TIF areas is generally based on a percentage of the property tax increment generated by a specific development within the project area. Tax increment dollars are often returned to the developer in the form of infrastructure development, land cost write-down, or other appropriate means.

One method that has been used to overcome the market challenges posed by direct tax increment financing is to use a Special Assessment Area (SAA) in conjunction with the use of tax increment. Special Assessment Areas are discussed in a following section. This provides a means to leverage the potential tax increment at an earlier stage in the development process. Under this structure, a CDRA is created and the developer/landowner enters into an Agreement to Develop Land (ADL) with the local government wherein the developer negotiates receipt of a portion of the tax increment to be generated. Then, SAA bonds are issued and assessments on the benefited property of the developer/landowner provide security to the bonds noting that the property then serves as the ultimate security for the debt, not projected increment receipts. If the developers proceed with development and building in a timely fashion, they can utilize the increment received to make the assessment payments, although they are not pledging this stream of revenues.

Public concerns about redevelopment projects are centered on three main issues. Education is needed to resolve these concerns. When property owners understand the true nature of redevelopment areas, they are generally enthusiastic about the opportunities RDA's offer.

1. Blight. The Utah Code uses the term "blight" to refer to properties with various characteristics, such as physical dilapidation, lack of code enforcement, etc. Property owners need to be assured that while blight factors are used to establish a project area, no individual properties are recorded as blighted on any official county records. An evaluation of properties, in terms of blight, is used solely to determine if the area, as a whole, qualifies as a redevelopment area.

2. Tax Increment. There is a common misunderstanding that tax increment means that property owners will pay more taxes.

Figure: Utah Code on Eminent Domain

UCA 17C-2-601. Use of eminent domain in an urban renewal project area -- Conditions -- Acquiring single family owner occupied residential property or commercial property -- Acquiring property already devoted to a public use -- Relocation assistance requirement.

Utah law greatly restricts the ability of government to use eminent domain for residential and commercial development.

Single Family Residential

- Owner consents; or
- Petition of owners of >80% of parcels and >70% of value of owner-occupied property.

Commercial

- Owner consents; or
- Petition of owners of >75% of parcels and 60% of value of property

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This is simply not the case. Tax rates do not change because of the creation of a redevelopment area. Rather, more taxes are generated in the area because of the increased development that occurs. It is the taxes that flow from additional development and therefore increased taxable value that constitute tax increment.

3. Eminent Domain. Property owners are often concerned that they will be forced to sell their property if they are in a redevelopment area. Utah law has set very restrictive requirements regarding when the power of eminent domain can and cannot be used (see sidebar figure).

11b. Revolving Loan Funds

A revolving loan fund (RLF) is a source of money from which loans are made for small business development projects. A loan is made to a business and as repayments are made, funds become available for new loans to other businesses. The major purpose is to provide a source of financing, which may not otherwise be available within the community, for local, expanding, or start-up businesses. Often they are used to fill a financing gap in a business development project. A gap occurs when the business lacks the funds to meet the equity requirements of bank financing or needs a lower interest rate.

The source of capitalization (the funds used to create the RLF) may have regulations governing program design. For example, RLF's which are capitalized with Community Development Block Grant (CDBG) funds must follow the rules and regulations established by the U.S. Department of Housing and Urban Development (HUD) and must show some benefit to low- and moderate-income households.

Revolving loan funds have been used successfully in many communities to encourage façade and building renovations in commercial areas (see images in sidebar). Capitalization could potentially be obtained through CDBG funds.

Salt Lake County's Economic Development Revolving Loan Fund (EDRLF) has successfully funded a number of traditional and technology-based companies. These companies

Examples of a successful façade renovation program:

Before *After*

Before *After*

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have expanded their operations, created new jobs, and made capital investments in the county. Without this non-traditional type of funding, these companies could not have reached their potential. The loan amounts range from $50,000 to $250,000 and are usually paid off within a five-year period. The average cost per job from companies who utilize the loan fund is $2,500. This is considerably lower than the traditional economic development tools.

Since 2005, the County's EDRLF has created over 500 jobs and has had zero loan losses. Companies that have taken advantage of the loan fund now create over $17 million in annual revenues.

Another financing avenue is the Microenterprise Loan Fund which handles smaller loans up to $35,000. The county has contributed over $600,000 to the fund to help small businesses who cannot get traditional loans. This fund has an average loan size of %$16,843, and creates about five jobs per loan.

11c. Qualified Redevelopment Bonds:

Qualified Redevelopment Bonds ("QRBs") are authorized under Section 144 (c) of federal tax code that allows Community Development and Renewal Agencies ("CDRA") to issue bonds that are tax-exempt. The purpose of the QRBs is to promote redevelopment purposes within blighted areas. In order to qualify, the CDRA must meet the following requirements:

- At least 95% of the bond proceeds must be used for redevelopment in designated blighted areas (redevelopment is defined as land acquisition and preparation of land for redevelopment purposes);
- The CDRA must have the option of eminent domain;
- The CDRA must first adopt a project area plan and budget authorizing tax increment;
- The payment of principal and interest on the bonds must be secured by:

  Taxes of general applicability within the local government or

  Tax increment under the project area plan and budget
- The transfer of any real property, for which bond proceeds were used, must be transferred at fair market value to a person other than a governmental unit; and

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- The CDRA must receive private activity volume cap from the Private Activity Bond Authority, pursuant to 9-4-501, Utah Code.

QRBs can greatly enhance the ability of local government to promote and coordinate redevelopment activity. Since blight and eminent domain are requirements of QRBs, only Urban Renewal Project Areas have the ability to use this financing vehicle. Often this vehicle will save 2.00-3.00% difference in interest rates.

11d. New Market Tax Credits

New Market Tax Credits (NMTCs) are additional financing tools that can be used to promote redevelopment, community and economic development. Projects within certain census tracts can qualify for allocation of new market tax credits, which are used by equity and debt investors to reduce tax liability. The reduction in tax liability is then used to off-set low interest loans or grants to community and economic development oriented projects. NMTC allocations require the following steps:

- Determine if the project qualifies under the US Treasury's Community Development Financial Institutions Fund (CDFI);
- Identify a Community Development Entity (CDE) who has received NMTC allocations;
- Apply for the allocation; and
- Find equity and debt participants

The primary benefit of NMTCs is the ability to attract investors at below market rates of interest and in many cases promotes infusion of equity into projects.

NMTCs are a relatively new financing tool for economic development but have proved to be valuable resources for economic development activity. More information can be found at www.cdfifund.gov.

11e. Industrial Loan Companies (ILCs) or Industrial Banks

Industrial Loan Companies or Industrial Banks are financial institutions in the United States that lend money and in many cases are owned by non-financial institutions. Many of the largest ILCs are domiciled in the State of Utah. ILCs like other commercial banks have community reinvestment requirements (CRA credits) that encourage lending within the market areas they operate in. Since, the State of Utah has approximately 55% of the ILCs in the nation and the requirement for CRA credits is specific to

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magnitude of assets, ILCs become great partners in promoting and funding economic development oriented projects. The concepts of Qualified Redevelopment Bonds and New Market Tax Credits discussed above can be used in concert with ILCs. In fact, in many cases the projects often align themselves based on criteria and scope that ILCs can be participants in lending the credit to accomplish these projects.

In the course of reviewing project finance options, communities should consider how ILCs can be used to assist in funding large-scale development projects.

11f. Special Assessment Area

Special assessment areas (SAA) are a legal mechanism to raise funds to enhance the maintenance and management of a particular section of a city or town. They are guided by the philosophy that the value of property is not driven solely by the investment made in an individual property, but rather that a major portion of property value is derived from how investors, businesses and visitors view the entire area as a business, retail and cultural center.

The purpose of an SAA is to create a sustainable funding system that makes possible the creation of multiyear plans and budgets. In an SAA, property owners and businesses cooperate to share the costs of solving common problems or realizing economic opportunities. Common activities funded through an SAA include: removal of litter and graffiti, clean sidewalks, shovel snow, cut grass, trim trees, plant flowers, increase security presence (uniformed), hospitality personnel, festivals and events, coordinate sales promotions, signage, market research, marketing to investors, planning and advocacy for parking, management organization, development of urban design guidelines, lighting guidelines, façade and storefront improvement programs, homeless assistance, street lighting, street furniture and public space improvements.

11g. Grants for Economic Development and Façade Renovation

For years the Utah Main Street program was involved with providing matching grant funds to individual business owners for façade renovation that restored buildings to their historical integrity. Many of these business owners reported markedly increased sales from improvements to their building facades. They also reported that they were willing to pay off the improvements within a relatively short period of time. While these funds are no longer available in Utah, other national resources for community

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and economic development projects are as follows:

- Funding Sources for Community and Economic Development 2005/2006: A Guide to Current Sources for Local Programs and Projects. Westport, CT: Oryx Press (an imprint of Greenwood Publishing), 2005.
- National Guide to Funding for Community Development. New York: The Foundation Center, 1998. UPDATE

11h. Community Development Block Grants (CDBG)

CDBG funds are available to all portions of the County that fall within the CDBG Entitlement Area, which includes eleven cities/towns and the unincorporated County. Not included in the County's allocation of funding are the five entitlement cities within the County that receive their own allocation of CDBG funding directly: Salt Lake City, Sandy, Taylorsville, West Jordan and West Valley City.

As established by HUD, the purpose of the CDBG program is "To assist in developing viable urban communities by providing decent housing, a suitable living environment and expanding economic opportunities, principally for persons of low and moderate income (LMI)."

The range of eligible activities for CDBG is very broad, but all projects must meet one of three national criteria:

1. Benefit low and moderate income residents
2. Elimination or prevention of slum and blight
3. Urgent health/welfare needs

CDBG funds could be a good source for establishing a revolving loan fund for neighborhood improvements in lower-income or blighted areas, assistance with job creation in low-income areas, and the development of infrastructure that benefits low-income households.

11i. Economic Development Tax Increment Financing (EDTIF)/HB 11

Approved in 2005, EDTIF is a relatively new state incentive program created through the Governor's Office of Economic Development (GOED) that allows local governments to create economic development zones (EDZ) in order to encourage job creation and capital investment. New or existing employers creating new jobs or significant capital investment within these zones may apply for a partial rebate of taxes paid to the state. Qualifying companies must create new jobs paying at least the county

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median wage. The typical incentive range is a 15 percent tax rebate over five years. GOED requires that local communities also participate, generally through tax increment funds, in order for EDTIF funds to be used for a project in their area.

11j. Industrial Assistance Fund (IAF)

Companies expanding or relocating in Utah may receive incentive grants from the IAF. Criteria for urban areas includes jobs that pay at least 125 percent of the county median wage; creation of at least 50 new jobs; or a focus on biomedical, finance, technology, aerospace or corporate headquarters.

11k. Custom Fit

Custom Fit provides specialized training for companies to train their employees. This incentive subsidizes up to $500 per trainee, with a maximum subsidy of $100,000 per company.

11l. Utah Historic Preservation Tax Credit

The Utah Historic Preservation Tax Credit is a 20 percent nonrefundable tax credit for the rehabilitation of historic buildings which are used as owner-occupied residences or residential rentals. Twenty percent of all qualified rehabilitation costs may be deducted from taxes owed on your Utah income or corporate franchise tax.

Eligible buildings are those buildings listed in the National Register of Historic Places, which, after rehabilitation, are used as a residence(s). The credit is not available for any property used for commercial purposes including hotels or bed-and-breakfasts. (If the historic B&B is also owner-occupied, this portion of the rehabilitation may qualify.) The building does not need to be listed in the National Register at the beginning of the project, but a complete National Register nomination must be submitted when the project is finished. The property must be listed in the National Register within three years of the approval of the completed project. Staff of the Historic Preservation Office can evaluate the eligibility of your building and provide instructions on nomination requirements. (See Resources.)

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Resources

1. American Fact Finder : Population data and household characteristics

   http://factfinder2.census.gov/main.html

2. The Bureau of Economic Analysis, U.S. Department of Commerce

   Economic information, GDP, consumer price index, incomes

   www.bea.gov

3. The Bureau of Labor Statistics, U.S. Department of Labor

   Labor and employment information

   www.stats.bls.gov

4. Coldwell Banker Commercial

   Retail, office and industrial market information

   www.coldwellutah.com

5. Commerce Real Estate Solutions/ Cushman & Wakefield Affiliate

   Retail, office and industrial market information

   www.comre.com/research.cfm

6. Economic Development Corporation of Utah

   Demographic information and site selection assistance

   http://www.edcutah.org/

7. Envision Utah, Thinking and Acting Regionally in the Greater Wasatch Area: Implications for Local Economic Development Practice, May 2005.

8. Home Prices Along the Wasatch Front, The Salt Lake Tribune

   http://extras.sltrib.com/homeprices/Index.asp?County=Davis

9. Moore, Terry; Meck, Stuart; and Ebenhoh, James. An Economic Development Toolbox Strategies and Methods. American Planning Association. 2006.

10. NAI Utah: Retail, office and industrial market information

    www.naiutah.com

11. National Register of Historic Preservation

    http://www.cr.nps.gov/nr/about.htm

12. Salt Lake County UPGRADE – Business at the Next Level

    Assistance with starting or expanding a business in Salt Lake County

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http://www.upgrade.slco.org/up/startUp.html

13. Urban Land Institute. Retail Market Analysis. 4th ed.

14. The U.S. Census Bureau

Population data and household characteristics

www.census.gov

15. Utah Department of Workforce Services

Local employment information

http://jobs.utah.gov/

16. Utah Governor's Office of Economic Development

Population projections, demographic information

http://goed.utah.gov/contracting/PTAC/

17. Utah State Tax Commission

Sales and property tax data, tax districts and tax rates

http://tax.utah.gov/esu/sales/index.html

18. Wasatch Front Regional Council (WFRC)

Traffic Area Zones (TAZ) – population projections

www.wfrc.org

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ECONOMIC BEST PRACTICES APPENDIX

Capital Infrastructure Financing

Financing alternatives that are available to local governments in Utah are summarized as follows:

General Obligation Bond: General Obligation (GO) bonds are subject to simple majority voter approval by the constituents of the issuing entity. General obligation elections can be held two times each year, in November and June, following certain notification procedures that must be adhered to in accordance with State Statutes in order to call the election (pursuant to Utah State Code Section 11-14-2 through Section 12). Following a successful election, it is not necessary to issue bonds immediately, but all bonds authorized must be issued within ten years. Once authorized to proceed with the issuance of the bonds, it takes approximately sixty days to complete the bond issuance.

General obligation bonds can be issued for any governmental purpose as detailed in Section 11-14-1. The amount of general obligation debt is subject to the following statutory limitations:

- Counties are limited to two percent (2%) of the total taxable value of the County
- School Districts are limited to four percent (4%) of the total taxable value in the District
- Cities of the 1st and 2nd class are limited to a total of eight percent (8%) of the total taxable value; four (4%) for general purposes and four (4%) for water, sewer and lights
- Cities of other classes or towns are limited to a total of twelve percent (12%) of total taxable value; four percent (4%) for general purposes, and eight percent (8%) for water, sewer and lights

Notwithstanding the limits noted above, most local governments in Utah have significantly less debt than the statutory limitations. Pursuant to state law, general obligation bonds must mature in not more than forty years from their date of issuance. Typically, however, most GO bonds mature in twenty-five to thirty years.

Since general obligation bonds are secured by the taxing power and are a full faith and credit pledge of the issuing government, they offer the lowest credit risk to the bondholders and the lowest overall cost. The downside to GO bonds is that they require an election, and election outcomes are

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uncertain and can be costly (win or lose). GO bonds are generally issued when the benefits are viewed as accruing to the community as a whole, not just a specific area of town.

Excise Tax Revenue Bond: Revenue bonds payable from excise tax revenues are governed pursuant to Utah State Code Section 11-14-307. Without the need for a vote, cities and counties may issue bonds payable solely from excise taxes levied by the city, county or those levied by the State of Utah and rebated to the city or county such as gasoline taxes or sales taxes.

Class B&C Road Bond: Gasoline taxes are collected and distributed pursuant to cities and counties in a formula that is based upon population and the weighted (weighting depends on whether the roads are dirt, gravel or paved) city or county road miles within the local government. These funds can be utilized by cities and counties to construct, repair and maintain city and county roads and can be utilized as a sole pledge for repayment of debt issued for those purposes.

State law limits the amount of bonds that can be issued through this mechanism by limiting the pledge to a maximum of 80 percent of the preceding fiscal year's receipt of Class B & C road funds for a period not-to-exceed ten years. This state law matches well with the general requirements of the market relative to revenue bonds as it automatically serves to create a 1.25X debt service coverage ratio.

Practical consideration for the issuance of this type of debt for most cities and counties lies with the fact that most local governments spend these funds and more on the maintenance of their roads. Therefore, generally, while B & C road funds are the means used for securing the debt, other general funds may actually be utilized by the issuer to make the annual payments or to pay for maintenance while the excise tax bonds are being retired with Class B&C road fund revenues.

Depending on the ownership of the road(s) being financed, the city or possibly the County could issue the excise tax revenue bonds. The issuer would need to adopt a Notice of Intent to Issue Bonds and allow for a thirty-day contestability period prior to closing on the bonds. Once the Notice of Intent has been adopted it would take approximately sixty days to complete an issuance of these bonds.

There exists in State law a non-impairment clause (11-14-307 (a)) that restricts the State's ability to change the distribution formula in such a way that would harm bondholders while local governments have debt

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outstanding. Coupled with the fact that historical gasoline tax revenues have been strong and the increasing trend, excise tax revenue bonds are well received by the market.

Sales Tax Revenue Bond: Sales taxes are also collected and distributed by the State of Utah. With a change in the state's constitution in November of 2000, and with a clarification from the Attorney General's office regarding a technical matter, the first non-voted sales tax revenue bond was issued in July 2001. Sales tax revenues can also be utilized as a sole pledge for repayment of debt without a vote of the constituents and funds can be utilized for the acquisition and construction of any capital facility owned by the issuing local government. They are frequently used for parks and recreation facilities or other city buildings such as City Hall or Public Safety buildings.

Just as with Class B&C road bonds, state law limits the amount of bonds that can be issued through this mechanism by limiting the pledge to a maximum of 80 percent of the preceding fiscal year's receipt of sales tax revenues. However, sales taxes are not limited to a pledge for a ten-year period but can legally be issued for up to forty years. While this state law provides a 1.25X debt service coverage ratio, due to the elasticity of sales tax revenues and local governments' typical heavy reliance on the revenues for general government operations, the market will demand a significantly higher debt service coverage ratio of at least two or three times revenues to debt. Also, most sales tax revenue bonds are structured to mature in twenty-five years or less.

Depending on the ownership of the capital facilities to be financed, a city could issue sales tax revenue bonds. The issuer would need to adopt a Notice of Intent to Issue Bonds and allow for a thirty-day contestability period prior to closing on the bonds and must also hold a public hearing. Once the Notice of Intent has been adopted, it would take approximately sixty to seventy-five days to complete an issuance of these bonds.

Local Building Authority Lease Revenue Bond: Pursuant to the Utah Local Building Authority Act (17D-2-103) cities, counties and school districts[1] are allowed to create a non-profit organization solely for the purpose of accomplishing the public purpose of acquiring, constructing, improving and financing the cost of a project on behalf of the public body that created it.

The security for a lease revenue bond is a first trust deed on the real property, any buildings or improvements and any security interest in any

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furniture, fixtures and equipment financed pursuant to a particular MBA transaction. The only pledge by the City is that it will remit any lease payments received from the MBA to the trustee. Bonds structured in this fashion are not considered long-term debt as the lease payments are subject to an annual appropriation by the City.

Due to the security structure, the best types of capital facilities to finance under this mechanism are those that are deemed as an essential purpose by the bond market. Municipal buildings such as city halls, public safety buildings and public works buildings are considered essential public purposes. That stated, many other capital improvements and facilities have been funded using lease revenue bonds including parks and recreation facilities. To strengthen the credits of facilities that are not deemed as essential purpose, it is common to cross-collateralize facilities (collateral for one loan is also used as collateral for another loan). However, under Utah law once a facility has been completely paid for and is owned outright by the local government, it cannot be utilized to collateralize debt on another facility.

The legal limitation for maturity on bonds issued pursuant to the Building Authority Act is forty years. From a market perspective however, final term on this type of debt will be governed by the maximum useful life of the facility. Most lease revenue bond transactions are structured to mature in thirty years or less.

Due to the real property nature of the transaction, it may take some additional time to process and close a lease revenue bond due to the need to obtain a title report and clear any liens or encumbrances that may appear on the title so that clear title policies can be provided to the owner and lenders.

Special Assessment Area (SAA) Bond: A county, city, town or special service district can create a Special Assessment Area and issue Special Assessment Bonds.

There are currently no specific legal limitations under state law as to the amount of improvements or debt that can be issued and secured by special assessments, but local governments can, by policy, determine when they will consider the creation and utilization of assessment districts. Additionally, through the creation process, all property owners that are to be assessed are given the opportunity to protest the creation of an SAA. If more than fifty percent (50%) protest, measured by proposed method of assessment (i.e., acreage, frontage, taxable value, etc.), then the local

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government cannot create the SAA. Practically speaking, if a significant number of protests are received, even if the 50 percent benchmark is not exceeded, the elected officials may choose not to create the SAA.

SAA bonds are secured by an assessment lien against all property benefited by the SAA improvements. The lien is on parity with a tax lien and can be foreclosed on for non-payment in the manner provided for actions to foreclose mortgage or trust deed liens, which in Utah takes approximately 120 days.

Industrial Revenue Bond: IRB's are now restricted to manufacturing facilities and are capped at $10 million of tax exempt proceeds. Total capital investment is limited to $20 million including the tax exempt capped portion. Strict regulations require that Bond Counsel be involved.

Millcreek Township

Planning Commission Meeting

Public Hearings

Wednesday, September 12, 2012

27702

Ordinance Amendment – 19.76.300 & 310

Transmission Pipeline Notification

Applicant: Salt Lake County Planning and Development Services

Planner: Curtis Woodward

Salt Lake County Planning & Development Services

STAFF REPORT

Executive Summary								
Hearing Body:	Millcreek Township Planning Commission							
Meeting Date and Time:	Wednesday, September 12, 20	04:00 PM	**File No:**	2	7	7	0	2
Applicant Name:	Salt Lake County PDS	**Request:**	Ordinance Amendment					
Description:	19.76 - Transmission Pipeline Notification and Map amendments							
Location:	N/A							
Community Council Rec:	Not yet received							
Staff Recommendation:	Approval							
Planner:	Curtis Woodward							

1.0 BACKGROUND

1.1 Summary

Salt Lake County is seeking to add Sections 19.76.300 Transmission Pipeline Notification and 19.76.310 Transmission Pipeline Map Modification of Chapter 19.76 Supplementary and Qualifying of the Salt Lake County Code. These amendments are aiming to create awareness of the need to protect underground pipelines from damage that may occur during construction activities.

1.2 Neighborhood Response

No neighborhood response has been received at the time of this report.

1.3 Community Council Response

The Community Councils were sent information on this ordinance amendment for review at their August meetings. No written response has been received at the time of this report.

2.0 ANALYSIS

2.1 Existing Ordinance

There are currently no regulations regarding pipeline protection in the Salt Lake County code of ordinances.

2.2 Proposed Ordinance

See attached for the proposed ordinance language. A brief synopsis of the sections is below.

1. Transmission Pipeline Notification: This section calls for the following steps:
    a. The County must notify the applicant they are in close proximity to a pipeline.
    b. The applicant must file proof that they notified the pipeline company of their intended

construction.

c. Pipelines must be shown on new subdivision plat maps.

2. Transmission Pipeline Map Modification: This section gives directions for how pipeline maps are updated.

3.0 STAFF RECOMMENDATION

3.1 Staff recommends APPROVAL of the proposed Ordinance Amendment.

3.2 Reasons for Recommendation

1) The proposed amendments will help minimize public safety and environmental risks without placing a heavy burden on property owners or pipeline operators.

SALT LAKE COUNTY ORDINANCE

Ordinance No. _____ _____, 2012

TRANSMISSION PIPELINE PROTECTION AMENDMENTS

AN ORDINANCE AMENDING CHAPTER 19.76: SUPPLEMENTARY AND QUALIFYING CREATING A MECHANISM TO RAISE AWARENESS OF THE NEED TO PREVENT DAMAGE TO UNDERGROUND PIPELINES TO PROTECT PUBLIC SAFETY AND THE ENVIRONMENT.

The County Legislative Body of Salt Lake County ordains as follows:

SECTION I. The amendments made here are designated by underlining the new substituted words.

SECTION II. Chapter 19.76 of the Salt Lake County Code of Ordinances, 2001, is amended to add sections 19.76.300 and 19.76.310 as follows:

19.76.300 TRANSMISSION PIPELINE NOTIFICATION

A. A Notification Area is hereby established for any parcels within 660 feet from the mapped centerline of an oil or gas transmission pipeline, as indicated by the County's Pipeline Protection Map, a Geographic Information System (GIS) based map. The County makes no warranty as to the accuracy of this map, which reflects information provided by pipeline operators.

B. At the time of application for a development permit, the County shall notify the applicant if the proposed development is within the Notification Area and provide contact information for the pipeline operator(s) in the area and for Utah's one-call program.

C. If any proposed development is within the Notification Area, the applicant for a development permit shall contact the pipeline operator(s) and provide them with a copy

of the application and timely notice of the first scheduled public hearing on the application, if there is one. The applicant shall file proof of this notification with the County Planning and Development Division before any development permit may be issued. Proof of notification shall be kept on file with the application. Once the development permit is issued, it is the responsibility of the applicant to consider any comments and recommendations posed by the pipeline operator(s) to ensure no pipelines are damaged during construction of the approved project.

D. Subdivision plats within the Notification Area must contain a note that all known existing oil or gas transmission lines or pipeline facilities have been identified and shown on the plat. The location of all known oil or gas transmission lines and related easements shall also be shown on all zoning, building and record plat maps.

19.76.310 TRANSMISSION PIPELINE MAP MODIFICATION

A. It is the obligation of pipeline operators to correct or update the County's Pipeline Protection map, and they shall do this by filing an application to modify the map. The application shall be presented to the development services director or designee for review and approval. Complete application must include:

1. An explanation from the pipeline operator(s) of how the corrected or proposed location was determined for each transmission pipeline; and
2. Electronic GIS data or detailed drawings delineating the correct or proposed location.

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SECTION IV. This ordinance shall be effective fifteen (15) days after its passage and upon at least one publication of the ordinance or a summary thereof in a newspaper published and having general circulation in Salt Lake County.

APPROVED AND ADOPTED this _____ day of _____, 2012.

SALT LAKE COUNTY COUNCIL

By: _____
Chairman

ATTEST:

_____
Sherrie Swensen
Salt Lake County Clerk

APPROVED AS TO FORM:

_____

ORDINANCE HISTORY

Councilman Bradley voting	_____
Councilman Burdick voting	_____
Councilman Bradshaw voting	_____
Councilman DeBry voting	_____
Councilman Horiuchi voting	_____
Councilman Iwamoto voting	_____
Councilman Jensen voting	_____
Councilman Snelgrove voting	_____
Councilman Wilde voting	_____

Vetoed and dated this _____ day of _____, 2012.

By: _____
MAYOR PETER CORROON
OR DESIGNEE

DRAFT

(Complete as Applicable)
Veto override: Yes____ No_____ Date_____
Ordinance Published in Newspaper: Date_____
Effective Date of Ordinance:_____

SUMMARY OF
SALT LAKE COUNTY ORDINANCE NO. _____

On the _____ day of _____, 2012, the County Council of Salt Lake County adopted Ordinance No. _____ which amends chapter 19.76 of the Salt Lake County Code of Ordinances. These new amendments call for applicants to notify pipeline operators of construction near underground pipelines and make other related changes.

SALT LAKE COUNTY COUNCIL

By: _____
Chairman

ATTEST:

_____
Sherrie Swensen
Salt Lake County Clerk

APPROVED AS TO FORM:

_____

Councilman Bradley voting _____
Councilman Burdick voting _____
Councilman Bradshaw voting _____
Councilman DeBry voting _____
Councilman Horiuchi voting _____
Councilman Iwamoto voting _____
Councilman Jensen voting _____
Councilman Snelgrove voting _____
Councilman Wilde voting _____

A complete copy of Ordinance No. _____ is available in the office of the Salt Lake County Clerk, 2001 South State Street, N2100A, Salt Lake City, Utah.

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