Minutes of the Syracuse City Redevelopment Agency Special Meeting, February 9, 2021.

Minutes of the Special Meeting of the Syracuse City Redevelopment Agency held on February 9, 2021 at 6:00 p.m., held virtually via Zoom, meeting ID 831 1780 1750, and streamed on the Syracuse City YouTube Channel in accordance with House Bill 5002, Open and Public Meetings Act Amendments, signed into law on June 25, 2020. Pursuant to written determination by the Mayor finding that conducting the meeting with an anchor location presents a substantial risk to the health and safety of those who may be present due to infections and potentially dangerous nature of Infectious Disease COVID-19 Novel Coronavirus.

Present: Members: Lisa W. Bingham
Corinne N. Bolduc
Dave Maughan
Jordan Savage
Seth Teague

Mayor Mike Gailey
City Manager Brody Bovero
City Recorder Cassie Z. Brown

City Employees Present:
City Attorney Paul Roberts
Police Chief Garret Atkin
Fire Chief Aaron Byington
Parks and Recreation Director Kresta Robinson
Community and Economic Development Director Noah Steele
Administrative Intern Brittany Morgan

1. Meeting Called to Order/Adopt Agenda

Mayor Gailey called the meeting to order at 7:36 p.m. as a special meeting, with notice of time, place, and agenda provided 24 hours in advance to the newspaper and each Boardmember.

BOARDMEMBER BOLDUC MOVED TO ADOPT THE AGENDA. BOARDMEMBER BINGHAM SECONDED THE MOTION; ALL VOTED IN FAVOR.

2. Proposed Resolution RDA21-01 authorizing the execution of an agreement for tax increment rebates related to development of office buildings.

A staff memo from the Community and Economic Development (CED) Department explained a three-story office building of approximately 39,000 square feet is proposed in conjunction with the 'Dahl Mixed Use'. As recently reported, the real estate market for office has become unpredictable in recent months due to COVID-19 changing the office landscape. The developer has expressed concern over the risk involved with constructing a speculative office building without pre-leasing the building first. In fact, he has explained that lenders will currently not loan for buildings without a certain amount of pre-leasing to prospective tenants. Since the project is within a CDA area that is managed by the city RDA board, there is a possibility to provide a property tax rebate as an incentive after constructing the building. This incentive would not come from city capital funds but rather diverting property taxes that will be generated once the building is created back to the developer. Looking at the proposed office building and assuming a 9.9 million valuation, we can project the amount that could be rebated back to the developer if the board chooses. The property tax rate is .012474. The RDA only gets 60 percent of that. So that will generate roughly $74,000 per year to the agency in property taxes. Then some of that gets taken in management fees/annual reporting costs etc. A common percentage that has been used in other incentive deals recently is offering 75 percent of the increment received from just this building to the agency. So, 75 percent of the 60 percent of what the building generates if that makes sense. That comes out to be approximately $55,571 per year. If we extrapolated that out until the project expires in 20 years, that would be projected to return above $1,000,000. That should help with getting lending and expediting the project. The incentive agreement wouldn't promise an amount, it is all a percentage based off the assessed value and after we get the money year end, we would distribute it back out to the developer. Also, in the future, as a separate incentive deal directly with a specific company, the RDA board could consider incentivize up front money for tenant improvements or some other incentive such as rent reduction etc. The purpose of the CDA is to create jobs and having a large office building would definitely fit the bill. Currently there is considerable risk in building an office building of this size. The city's draft economic development strategy reports that vacancy rates for office are projected to go up, and lease rates to go down. The report also says that in Davis County between the one-year period of quarter one 2019 to quarter 1 2020 there was only 60,600 square feet of class A and B office absorbed. A 45,000 square feet building would represent close to what the entire county could occupy in a year. Also, there are many new projects in other communities in the works adding competition to the mix. Davis county is forecasted to not see a stability in the office market until 2023 or beyond. A projected payment of $55,571 per year and average rental rates for class A office in Davis County is about $26.96 per year. With this assumption, the incentive would be equivalent to pre-leasing about 2,061 square feet of the building at a 20-year lease. This is equal to less than 5percent of the building pre-leased which is in reality not a large amount in the grand scheme of things. If more incentive is desired to be offered, the value from the rest of the apartments could be factored into the incentive. Assuming the apartments, which are taxed at only 55 percent assessed value, are valued at $15,000,000 bring in approximately another $56,000 per year to the RDA and 75 percent of that is $42,000, that brings the percent of the building leased closer to eight percent. Also, more than 75 percent of the 60 percent could be offered or we could factor a lower lease rate that would equate to a higher percentage of the building. Regardless, it is unknown what the magic number needed by the bank to loan on the project is needed but this incentive should 'grease the wheels' and show city support of our goals to create daytime population and employment opportunities for our residents. The memo concluded the goals of the discussion are to decide if it is desirous to offer and incentive for the project and if yes, decide if the 75 percent of the 60 percent post performance rebate over 20 years is the preferred incentive structure. If yes, the item could be acted on during a future RDA board meeting.

CED Director Steele reviewed the staff memo. Several Boardmembers commented on their support for the incentive as they feel it will benefit the City as a whole and help to spur business growth during these difficult times.

BOARDMEMBER BOLDUC MADE A MOTION TO ADOPT PROPOSED RESOLUTION RDA21-01 AUTHORIZING THE EXECUTION OF AN AGREEMENT FOR TAX INCREMENT REBATES RELATED TO DEVELOPMENT OF OFFICE BUILDINGS. BOARDMEMBER BINGHAM SECONDED THE MOTION, ALL VOTED AYE.

At 7:40 p.m. BOARDMEMBER TEAGUE MADE A MOTION TO ADJOURN. BOARDMEMBER BINGHAM SECONDED THE MOTION; ALL VOTED IN FAVOR.

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Mike Gailey	Cassie Z. Brown, MMC
Mayor	City Recorder

Date approved: February 23, 2021