

**NOTICE OF REGULAR MEETING OF THE
NEIGHBORHOOD REDEVELOPMENT AGENCY
OF THE CITY OF ST. GEORGE,
WASHINGTON COUNTY, UTAH**

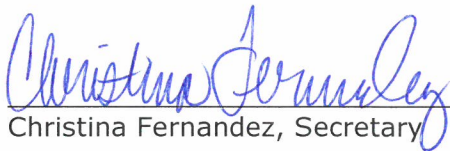
Public Notice

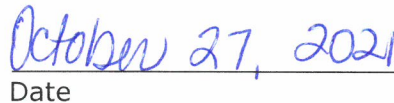
Public notice is hereby given that the Neighborhood Redevelopment Agency of the City of St. George, Washington County, Utah, will hold a regular meeting in the City Council Chambers, 175 East 200 North, St. George, Utah, on Thursday, October 28, 2021, commencing at 4:00 p.m.

The agenda for the meeting is as follows:

- 1. Consider approval of a resolution of the Neighborhood Redevelopment Agency of the City of St. George authorizing the extension of collection of tax increments for two years in each of the three project areas impacted by the Covid-19 Emergency.**

BACKGROUND and RECOMMENDATION: Senate Bill 6001, enacted by the State Legislature in August 2020, authorizes Community Reinvestment Agencies to extend the collection period of Tax Increment by up to two years under certain circumstances due to the COVID-19 Emergency. The St. George RDA has determined the Dixie Center EDA, the Fort Pierce CDA #2, and the Central Business District CDA were negatively impacted by the COVID-19 Emergency and is requesting to extend tax increments for these districts by up to two years. Staff recommends approval.


Christina Fernandez, Secretary


Date

REASONABLE ACCOMMODATION: The City of St. George will make efforts to provide reasonable accommodations to disabled members of the public in accessing City programs. Please contact the City Human Resources Office, 627-4671, at least 24 hours in advance if you have special needs.

DRAFT

Agenda Item Number : **R1**

Request For Council Action

Date Submitted 10/26/2021 12:08 PM

**Proposed City Council
Date** 10/28/2021

Applicant St. George RDA

Subject RDA Agenda: CONSIDER APPROVAL OF A RESOLUTION OF THE
NEIGHBORHOOD REDEVELOPMENT AGENCY OF THE CITY OF ST.
GEORGE AUTHORIZING THE EXTENSION OF COLLECTION OF TAX
INCREMENT FOR TWO YEARS IN EACH OF THREE PROJECT
AREAS IMPACTED BY THE COVID-19 EMERGENCY

Background Senate Bill 6001, enacted by the State Legislature in August 2020,
authorizes Community Reinvestment Agencies to extend the collection
period of Tax Increment by up to two years under certain circumstances
due to the COVID-19 Emergency. The St. George RDA has determined
the Dixie Center EDA, the Fort Pierce CDA #2, and the Central Business
District CDA were negatively impacted by the COVID-19 Emergency and
is requesting to extend tax increments for these districts by up to two
years.

Proposed Resolution Approval of the Resolution

Cost \$

Action Taken

Requested by Deanna Brklacich

File Attachments st102721114226.pdf
rda2-yearextensionmemo102721153216.pdf

**Approved by Legal
Department?** No

**Approved by City Admin
Services?** Yes

Approved in Budget? No **Amount:**

MEMORANDUM

TO: RDA Board
FROM: RDA Staff
DATE: October 27, 2021
RE: Project Area Extensions due to the COVID-19 Emergency

Background

During Utah Legislature's 2020 Sixth Special Session, Senate Bill 6001 called "*The COVID-19 Emergency Extension Bill*" (UCA § 17C-1-416) was approved which authorized Community Reinvestment Agencies (aka Redevelopment Agencies) to extend the collection period of tax increment by up to two years due to impacts created by the COVID-19 Emergency.

The COVID-19 Emergency Extension Bill authorizes, that for Project Areas adopted on or before December 31, 2019, the Agency may extend the tax increment collection period in each Project Area if the Agency determines the conditions resulting from the COVID-19 emergency will:

- a) likely delay the Agency's implementation of each of the Project Area's plans; or
- b) cause the Agency to receive an amount of tax increment from each Project Area that is less than the amount of Tax Increment the Agency expected the Agency would receive from the Project Area.

RDA Staff researched, reviewed, and considered information for each of the St. George RDA's five active Project Areas. Information reviewed included economic data provided by realtors, developers, and business owners having property or interests within each of our Project Areas. It also included reviews of assessed valuations, tax increment trends and forecasts, and other economic reports.

Based upon the analysis prepared, RDA Staff is recommending the St. George RDA extend three Project Areas: Dixie Center (I-15) EDA, Fort Pierce CDA #2, and Central Business District CDA. We are recommending the following two Project Areas not be extended the additional two years: Fort Pierce CDA #1 and Millcreek CDA.

For the three Project Areas recommended for extension, the following provides a summary of conditions resulting from the COVID-19 Emergency which will likely either delay the Agency's implementation of each District's Project Area Plan or cause the Agency to receive an amount of Tax Increment from the Project Area that is less than the amount of tax increment the Agency expected it would receive from these Project Areas.

Dixie Center (I-15) EDA

Matures: December 31, 2022

Recommendation: Extend by 2 years to December 31, 2024 (district is subject to a maximum tax increment of \$2.9 million).

Justification:

1. Mixed-use commercial/retail aimed towards hospitality, tourism, and entertainment businesses compatible with the Dixie Center Convention Center have been the targeted development for the Dixie Center (I-15) Project Area. These types of commercial/retail businesses have been significantly impacted by the COVID-19 Emergency and due to the pandemic, development within the Dixie Center (I-15) Project Area has been delayed

for several years. For example, in May 2019, the City sold 1.751 acres to a developer who agreed to build a restaurant on the property within 3 years. The developer had secured a commitment from a specific restaurant chain and planned to commence construction immediately. The RDA also agreed to provide an incentive agreement to the developer of up to \$170,540.87 for infrastructure improvements. The developer had to put the project on hold due to COVID-19 and has recently requested to extend the timeline and incentive agreement; however the Dixie Center (I-15) Project Area will likely mature before the project is completed and therefore the incentive will likely expire if the Project Area is not extended.

2. Commercial development also stalled due to economic and market uncertainty and due to increasing construction costs caused by product inflation and labor shortages as a result of the COVID-19 Emergency. The growth rate for this district is substantially lower than the average annual growth for St. George City and much of this is due to development plans being cancelled or postponed due to COVID-19. For example, in 2020, St. George's assessed values grew by 17.91% compared to Dixie Center (I-15) Project Area's growth at a negative -1.83%; in contrast, for 2019, St. George's values grew by 10.15%, and was out surpassed by the Dixie Center EDA at 17.16%. The Dixie Center (I-15) Project Area's expiration date of December 31, 2022 also does not accommodate plans to incentivize post-pandemic development within the Dixie Center (I-15) Project Area due to its narrow timeframe.

3. The Dixie Center EDA has a heavy concentration of hotels. The St. George area's economy relies heavily on tourism and our area hotels were significantly impacted by the COVID19 pandemic, both in terms of temporary closures and also in terms of labor shortages. Two hotels located within the Dixie Center (I-15) Project Area also have conference facilities which experienced cancellations and reduced reservations during the pandemic due to State and Federal restrictions on group sizes and social distancing requirements. Conference attendees would often go to restaurants within walking distance of the venues and the restaurants were correspondingly negatively impacted by a reduction in conference events. A report titled "*COVID-19's Impacts on Utah's Travel and Tourism Industry*" completed in October 2021 by the Kem C. Gardner Policy Institute (University of Utah) provided their Summary of Results in the adjacent chart. Six hotels are located within the Dixie Center (I-15) Project Area and comprise approximately 80% of the tax increment for the Project Area. Their combined real property tax increment amounts declined

Summary of Results		
The COVID-19 pandemic has affected Utah's travel and tourism economy and visitation in several ways.		
- Taxable leisure and hospitality sales were down 12.8% during the first eight months of 2020. - In April 2020, Utah lost nearly half (-43.1%) of its leisure and hospitality sector jobs; by August, jobs were down 16.8%. - Utah leisure and hospitality sector jobs have recovered at a faster rate than U.S. leisure and hospitality employment.	- From January through August 2020, Utah state parks visits were up 28.9% from the previous year, or by an additional 1.8 million visitors. - National park visitation was down 43.4% for January through August, resulting in around 3.3 million fewer visitors than the prior year. - Between January and August 2020, year-over-year county transient room tax revenues were down 31.8%.	Since April 2020, many Utah rural counties have fared better than urban counties in transient room tax revenue collections and hotel occupancy—a reflection of Utah visitors traveling to less populated areas with lower positive COVID-19 cases.

between January 2020 and January 2021 from \$516,230 to \$460,169, representing a combined decrease of 10.86%. In addition, one hotel which comprises 10.5% of the district's annual tax increment value is delinquent on one year of their property taxes and specifically cited COVID-19 as the reason they are unable to make timely payment.

4. The Dixie Center (I-15) receipt of tax increment is limited to a maximum cumulative dollar amount of \$2.9 million (net of mitigation payments to the School District) and a two-year extension will be necessary to achieve this amount (mitigation payments to the School District will likewise continue during the extension period). Prior to COVID-19, it was estimated the Dixie Center (I-15) Project Area would exceed the \$2.9 million maximum by approximately \$250,000; based on slowed development and lower tax increment amounts, the forecast is now inverse where the Project Area will be deficient by \$300,000. As such, the minimum assessed value benchmarks of developments required to achieve the maximum tax increments and future tax increment incentives will not be met if the district is not extended beyond its current expiration date of December 31, 2022.

Fort Pierce CDA #2

Matures: December 31, 2029

Recommendation: Extend by 2 years to December 31, 2031

Justification:

1. Delay of the Agency's ability to implement the Fort Pierce CDA #2 Project Area's plans due to the impacts of COVID-19 Emergency has not been demonstrated. However, the impacts of COVID-19 have caused the agency to receive an amount of tax increment less than expected.

2. The Fort Pierce CDA #2 is located within the Fort Pierce Industrial park and contains a high concentration of industrial businesses. Travis Perry with Linx Commercial Real Estate made a presentation on industrial real estate during the 2021 St. George Area Economic Summit and reported that new industrial property construction in 2020 was less than 200,000 square feet as compared to a historical annual average of 345,602. Construction of industrial property is in high demand as vacancy was down to only 1.28% and rents were at record highs. The report indicated that demand is due to companies being worried about reliance on countries outside of the U.S. to provide supplies so they are shifting to trying to store products within the U.S. and therefore we are seeing more demand for industrial real estate and square footage. The report also indicated that construction costs increased 8% in 2020 and they expect it will increase another 8% to 10% in 2021 which may conversely cause construction of industrial property to continue to develop slowly.



3. The Fort Pierce CDA #2 has both a high percentage of undeveloped land and also has a high number of years remaining to collect tax increment and therefore has a high potential for development. However, the schedule below demonstrates that current tax increment revenues are declining and are not meeting expected amounts calculated by Washington County. In addition, average annual growth rates (AAGR) in this district are substantially below the St. George area beginning with Fiscal Year 2020. For example, in FY 2019, St. George City's AAGR was 14.23% and the Fort Pierce CDA #2 was higher at 20.37%; conversely, in FY 2020, St. George City's AAGR was 10.15% and the Fort Pierce CDA #2 was only 3.77%; and for FY 2021, St. George City's AAGR was 17.91% and the Fort Pierce CDA #2 was only 1.44%. Where the COVID-19 Emergency caused development plans to be put on hold, a two-year extension will assist this district to achieve its tax increment expectations and goals.

Tax Year	Fiscal Yr	Per County	Actual	Amt. Over (Under) County	% of Projection	AAGR Yr.	AAGR SGC
2017	FY2018		\$114,733				
2018	FY2019	\$102,834	\$107,278	\$4,444	104.32%	20.37%	14.23%
2019	FY2020	\$103,878	\$92,395	(\$11,483)	88.95%	3.77%	10.15%
2020	FY2021	\$102,105	\$99,134	(\$2,971)	97.09%	1.44%	17.91%

Central Business District CDA

Matures: December 31, 2036

Recommendation: Extend by 2 years to December 31, 2038

Justification:

1. Plans of redeveloping blighted property, consisting of closed businesses of a hotel and a thrift store, into high-value commercial and retail development was significantly delayed by the COVID-19 Emergency. The property has a prime location situated on the St. George Boulevard and central to the downtown area. Solicitation of a Request for Proposal (RFP) for the blighted property was paused as the Agency allowed Switchpoint, the area's Community Resource and Homeless Shelter, to use the property as a COVID-19 quarantine shelter from April 2020 to mid-February 2021. This temporary use delayed demolition of the property and its development. The time delay also affected costs of the property's abatement measures and demolition to increase significantly from original estimates of \$100,000 to \$530,000 due to increasing construction costs caused by product inflation and labor shortages as a result of the COVID-19 Emergency. Fortunately, the City has been awarded \$200,000 in CDBG funds towards the demolition project; however, the additional increase was not anticipated. The Central Business District is estimated to receive approximately \$330,000 annually and therefore at least one additional year of extending the Central Business District CDA would help recover the increased costs for abatement and demolition.

2. The delay has likewise resulted in delaying the solicitation of the RFP and implementation of the proposal. These delays will cause anticipated increases in the Central Business District Project Area's assessed values to lag behind projections and will reduce the anticipated tax increment. An extension of time to collect additional tax increment revenues is needed to balance out these negative impacts.

Contact Information

For additional questions regarding this memo and analysis, contact:

Deanna Brklacich, Assistant City Manager – Administration

deanna.brklacich@sgcity.org

435-627-4004

RESOLUTION NO. _____

A RESOLUTION OF THE NEIGHBORHOOD REDEVELOPMENT AGENCY OF THE CITY OF ST. GEORGE AUTHORIZING THE EXTENSION OF COLLECTION OF TAX INCREMENT FOR TWO YEARS IN EACH OF THREE PROJECT AREAS IMPACTED BY THE COVID-19 EMERGENCY.

WHEREAS, the Utah Legislature, in the 2020 Sixth Special Session, through Senate Bill 6001, amended the Utah Community Reinvestment Agency Act (the “Act”), specifically enacting Utah Code Annotated (“UCA”) § 17C-1-416 (“The COVID-19 Emergency Extension Bill”); effective August 31, 2020; which authorized Community Reinvestment Agencies such as the Neighborhood Redevelopment Agency of the City of St. George (the “Agency”) to extend the collection period of “Tax Increment” (as defined in UCA § 17C-1-403) under certain circumstances due to the COVID-19 Emergency; and

WHEREAS, the COVID-19 Emergency Extension Bill specifically authorizes the Agency to extend the Tax Increment collection period in each Impacted Project Area if the Agency determines the conditions resulting from the COVID-19 emergency will likely delay the Agency's implementation of each of the Project Area's plans; or cause the Agency to receive an amount of Tax Increment from each Project Area that is less than the amount of Tax Increment the Agency expected the Agency would receive from the Project Area, respectively; and

WHEREAS, the COVID-19 Emergency Extension Bill allows the Agency to extend the project area funds collection period of an impacted project area for a period not to exceed two years from the day on which the project area funds collection period ends; and

WHEREAS, the COVID-19 Emergency Extension Bill does not allow an Agency to change the amount or percentage of tax increment the Agency is authorized to receive from the impacted project area during the final two years (extension period) of the project area; or the cumulative dollar amount of tax increment the Agency is authorized to receive if the Agency's receipt of tax increment is limited to a maximum cumulative dollar amount; and

WHEREAS, the COVID-19 Emergency Extension Bill applies to Impacted Project Areas for which the project area plan was adopted on or before December 31, 2019; and

WHEREAS, the Agency includes the following five active Economic Development Areas (EDA) or Community Development Areas (CDA) in which the project area plans were adopted on or before December 31, 2019 and which are eligible for the 2-year extension; and

District Name	Plan Adoption Date	District Expiration Date
Dixie Center (I-15) EDA	October 1995 amd. Sept 2014	December 31, 2022 ⁽¹⁾
Fort Pierce CDA #1	October 2006	December 31, 2022
Fort Pierce CDA #2	October 2014	December 31, 2029
Millcreek CDA	March 2016	December 31, 2033
Central Business District CDA	March 2016	December 31, 2036
⁽¹⁾ Cumulative tax increment in this district is limited to a maximum dollar amount.		

WHEREAS, the Agency has carefully considered the facts and information available to the Agency on whether the COVID-19 emergency will likely delay the Agency's implementation of each of the Impacted Plans, for each Impacted Project Area; or cause the Agency to receive an amount of Tax Increment from each Impacted Project Area that is less than the amount of Tax Increment the agency expected the agency would receive from the Impacted Project Area, respectively; and

WHEREAS, the Agency intends to extend the Project Area funds collection period of multiple impacted project areas, including the Dixie Center (I-15) EDA Project Area, the Fort Pierce CDA #2 Project Area, and the Central Business District CDA Project Area, for a period of two years; and

WHEREAS, the Agency Board, after carefully considering all of the facts and information, along with information known to the Board Members and provided by Agency staff, and information relayed from property owners and developers within each of the respective project areas, is prepared to make its determinations, findings and conclusions as set forth below.

NOW, THEREFORE, BE IT RESOLVED BY THE GOVERNING BOARD OF THE NEIGHBORHOOD REDEVELOPMENT AGENCY OF THE CITY OF ST. GEORGE AS FOLLOWS:

1. The Agency Board finds and determines that each of the Impacted Project Areas is an "impacted project area" as defined in UCA § 17C-1-416(1)(c), based on the facts that, among other things, (a) the Agency expects to receive Tax Increment from each Impacted Project Area, as provided under the applicable Impacted Plan and/or Impacted Budget for each Impacted Project Area, respectively, (b) each respective Impacted Project Area is subject to a project area funds collection period, (c) each Impacted Plan was adopted before December 31, 2019; and (d) the Agency has determined the conditions resulting from the COVID-19 Emergency will likely either delay the Agency's implementation of the respective Impacted Plans or cause the Agency to receive an amount of Tax Increment from the respective Impacted Project Areas that is less than the amount of Tax Increment the Agency expected it would receive from the respective Impacted Project Areas.
2. The following summary of conditions resulting from the COVID-19 Emergency will likely either delay the Agency's implementation of the Area's Plan or cause the Agency to receive an amount of Tax Increment from the respective Project Area that is less than the amount of Tax Increment the Agency expected it would receive from the Project Area:
 - a. Dixie Center (I-15) EDA: Mixed-use commercial/retail aimed towards hospitality, tourism, and entertainment businesses compatible with the Dixie Center Convention Center have been the targeted development for the Dixie Center (I-15) Project Area. These types of commercial/retail businesses have been significantly impacted by the COVID-19 Emergency and due to the pandemic, development within the Dixie Center (I-15) Project Area has been delayed for

several years. Commercial development also stalled due to economic and market uncertainty and due to increasing construction costs caused by product inflation and labor shortages as a result of the COVID-19 Emergency. The Dixie Center EDA also has a heavy concentration of hotels. The St. George area's economy relies heavily on tourism and our area hotels were significantly impacted by the COVID19 pandemic, both in terms of temporary closures and also in terms of labor shortages. Two hotels located within the Dixie Center (I-15) Project Area also have conference facilities which experienced cancellations and reduced reservations during the pandemic due to State and Federal restrictions on group sizes and social distancing requirements. Six hotels are located within the Dixie Center (I-15) Project Area and comprise approximately 80% of the tax increment for the Project Area. Their combined real property tax increment amounts declined between January 2020 and January 2021 from \$516,230 to \$460,169, representing a combined decrease of 10.86%. Prior to COVID-19, it was also estimated the Dixie Center (I-15) Project Area would exceed the \$2.9 million maximum by approximately \$250,000; based on slowed development and lower tax increment amounts, the forecast is now inverse where the Project Area will be deficient by \$300,000. As such, the minimum assessed value benchmarks of developments required to achieve the maximum tax increments and future tax increment incentives will not be met if the district is not extended beyond its current expiration date of December 31, 2022.

- b. Fort Pierce CDA #2: The Fort Pierce CDA #2 is located within the Fort Pierce Industrial park and contains a high concentration of industrial businesses. A local real estate company who specializes in industrial property sales within the St. George area recently reported that new industrial property construction in 2020 was less than 200,000 square feet as compared to a historical annual average of 345,602. Construction of industrial property is in high demand as vacancy was down to only 1.28% and rents were at record highs. The report indicated that demand is due to companies being worried about reliance on countries outside of the U.S. to provide supplies so they are shifting to trying to store products within the U.S. and therefore we are seeing more demand for industrial real estate and square footage. The report also indicated that construction costs increased 8% in 2020 and they expect it will increase another 8% to 10% in 2021 which conversely may cause construction of industrial property to continue to develop slowly. The Fort Pierce CDA #2 has a high percentage of undeveloped land and therefore has a high potential for development; however, the average annual growth rates (AAGR) in this district are substantially below the St. George area beginning with Fiscal Year 2020. For example, in FY 2019, St. George City's AAGR was 14.23% and the Fort Pierce CDA #2 was higher at 20.37%; conversely, in FY 2020, St. George City's AAGR was 10.15% and the Fort Pierce CDA #2 was only 3.77%; and for FY 2021, St. George City's AAGR was 17.91% and the Fort Pierce CDA #2 was only 1.44%. Current tax increment revenues are also declining and are not meeting expected amounts calculated by Washington County. Where the COVID-19 Emergency caused development plans to be put on hold in the St. George area, a

two-year extension will provide additional time for development to occur and will assist the Fort Pierce CDA #2 to achieve its tax increment expectations and goals.

- c. Central Business District CDA: Plans of redeveloping blighted property, consisting of closed businesses of a hotel and a thrift store, into high-value commercial and retail development was significantly delayed by the COVID-19 Emergency. The property has a prime location situated on the St. George Boulevard and central to the downtown area. Solicitation of a Request for Proposal (RFP) for the blighted property was paused as the Agency allowed Switchpoint, the area's Community Resource and Homeless Shelter, to use the property as a COVID-19 quarantine shelter from April 2020 to mid-February 2021. This temporary use delayed demolition of the property and its development. The time delay also affected costs of the property's abatement measures and demolition to increase significantly due to increasing construction costs caused by product inflation and labor shortages as a result of the COVID-19 Emergency. Extending the Central Business District CDA would help recover the abatement and demolition cost increases. The delay has likewise resulted in delaying the solicitation of the RFP and implementation of the accepted proposal. These delays will cause anticipated increases in the Central Business District Project Area's assessed values to lag behind projections and will reduce the anticipated tax increment. An extension of time to collect additional tax increment revenues is needed to balance out these negative impacts.
3. The date on which the extension period, as extended by this Resolution, will end for the Agency's districts are:
 - a. Dixie Center (I-15) EDA will now end December 31, 2024 or when tax increment revenues generated for the Amended Dixie Center (I-15) Project Area reach \$2.9 million (net of mitigation payments to the School District); whichever occurs first.
 - b. Fort Pierce CDA #2 will now end December 31, 2031.
 - c. Central Business District CDA will now end December 31, 2038.
 4. An extension of a project area funds' collection period takes effect on the day which the Agency mails or electronically submits a copy of this Resolution to each entity specified hereunder. Agency staff are hereby authorized and directed that upon adoption of this Resolution, but no later than November 1 of the year immediately preceding the year in which the project area funds collection period, not including any extension under this section, ends, to mail or electronically submit a copy of this Resolution to:
 - a. the Utah State Tax Commission;
 - b. the Utah State Board of Education;
 - c. the Utah State Auditor;
 - d. the Washington County Auditor; and
 - e. each taxing entity affected by the Agency's collection of Tax Increment from the Project Area.

5. Agency staff are hereby authorized to take all other actions necessary to carry out the purposes of this Resolution.
6. This Resolution is effective upon adoption.

PASSED AND ADOPTED by the Governing Board of the Neighborhood Redevelopment Agency of the City of St. George this _____ day of _____, 2021.

Michele Randall, Agency Chair

Attest:

Christina Fernandez, Secretary

Approved as to form:

Agency Attorney