MINUTES OF HARRISVILLE CITY
CITY COUNCIL WORK SESSION
Tuesday, February 28, 2017 – 7:00 p.m.
Council Chambers
363 West Independence Blvd
Harrisville, Utah 84404

Present: Mayor Bruce Richins, Council Member Jeff Pearce, Council Member Gary Robinson, Council Member Jennifer Jensen, Council Member Ruth Pearce, Council Member Austin Tracy.

Staff: Jennie Knight, City Recorder.

Visitors: Doug Larsen, Perry Huffaker, Austin Riley, Madison Pech, Sharon & William Brechbill, Brad Willden, Jacob VanBeekum.

7:00 P.M. CITY COUNCIL WORK SESSION

1. **Call to Order.**

Mayor Richins called the meeting to order and welcomed all visitors.

2. **Community Reinvestment Agency Work Session**

   a. **Presentation on proposed CDA on Washington Blvd**.

Mayor Richins introduced Doug Larsen, Weber County Economic Development Director. Doug Larsen said he works with Weber County Economic Department. They also manage transportation funds. These funds supported the Larsen Lane project. He would like to give some background information. He explained Bill asked him to come to a work session and talk about how property tax and community reinvestment development work together. He would like to answer any questions relating to this and give a general overview including how property tax flows to the project.

Mayor Richins explained we have established this agency as the first step. The Council is that agency but we are totally new at this process. Anything Council can learn will be good. Doug Larsen said RDA is the old acronym which stood for Redevelopment Agency. This is now CRA, Community Reinvestment Agency. Really this is about the few tools that government entities have to facilitate development by taking public dollars and investing them into a project; a project that should be strategic so communities know what to expect. Under the law the agency must conduct an analysis. The first step is to define the survey area or project area that is included for reinvestment and pass a resolution to create the opportunity to conduct the analysis and hire a consultant.

When hiring a consultant, 99% of the time the consulting firm prepares a study to meet the law requirements. This helps the mayor and council make good public policy decisions, because of the public dollars. This allows the investment to be more easily tracked. Tax incentive projects are based on a post performance model. Meaning the geographic area is drawn; the boundary can be drawn to define the project or expanded for future development. Doug Larsen recommended only encompassing the project area. It doesn't make sense to include area outside of the project.

The facilitation of the property tax is the next step. All taxing entities listed on the property tax notices have opportunity to participate in the reinvestment project but they do not have to. The city can negotiate with each taxing entity who can participate at their own level. All entities will continue to receive what they are currently collecting. The dollar amount is distributed throughout all the entities currently and we are not giving away anything they are already collecting, only the proposed increase. Based on performance, a new tax base is created. This is limited to the property tax on real estate, equipment, and other property from businesses. A portion of the new tax is now given to the taxing entities; the incremental tax that is created by the development. When the city considers giving this money away, we must be confident that this project would not happen without involvement from the city by helping the project get off the ground earlier than what would have naturally developed.

Doug Larsen commented that he walked this project area. He was surprised by the amount of land that is available through this area. The real estate that faces Washington Blvd needs some rehabilitation. Redevelopment by driving development through these reinvestment areas creates a new reliable tax base. Part of this is being facilitated by the increase on the property tax and it's up to Council to decide how much and how long this will take. On average a project is set for 5-10 years. 20 years is a little long. If the community is going to participate longer than 15 years, certain bench marks must be met. In other words, the project must meet goals to keep the money flowing.

The proposed project area is rather small with very little risk. $50 million projects are typical to see for reinvestment. Marriott-Slaterville recently started a $15 million project. Without the city's help, this project would have taken 5-6 years longer. Once the development happens the developer can plan for money later in the project. The city can also decide how the property tax money will be spent on the project. They can require that the developer spend this money a certain way; particularly if they are going to invest in infrastructure that will benefit the city in the long run. Again, the beginning step is to draft a resolution creating the project area. Then a draft plan is created for the development to make good policy decisions for the project.

Considerations for the project include: the base year value on property taxes, who the owners of the property are, current land use, future land use, population density, and building intensity. Streets with development objectives with complex detail so the city can explain to the public the time line for development, the area of the project, and the percentage of investment. Design objectives can also be controlled by the city. Specifically how the project will be implemented with zoning and site plans. This should all be included in the CRA plan to make sure this development is consistent with the master plan for the city. Other factors that should be considered are: the anticipated investment of the project, any social impact the project may have on the surrounding communities, and understanding the economy of the city.

When proposing whether or not the taxing entities will participate, one thing that is often missed is the need to really understand what additional costs are going to come to the city from this development. For example, having a new big box retailer in the city, has there been analysis of how this will affect the city with increased police calls. Not only the public dollars to generate revenue, but understanding the costs for the long term. Sometimes this creates a backwards effect. We have an obligation to understand the return on development and the plan should anticipate and articulate the long term affects.

The net benefit analysis is to meet part of the statute requirement; the cost of the developer's investment and the public investment. Private investment should be higher than the public investment. Although projects do not have to include a budget, they should including a schedule of the years and projected revenue with regard to how the new revenue will flow to the taxing entities on the project.

Once the plan is put together, it is presented to the reinvestment agency for approval, rejection, or amendment. Most cities hire a consultant rather than prepare one on their own. The city can pay the consultant, or the developer can pay for the consultant. Since this is new, the statute allows a percentage of the new revenue titled as administrative revenue to cover the costs of the consultant. Some cities have a fund balance to pay for the consultants to help facilitate these costs in the future, assuming the plan is approved.

The next step is the city entering into a development agreement to work through the plan. The smart thing is to sit down with the taxing entities, particularly the school district because they have such a large portion of the tax. Making sure all the entities understand the net benefit. Part of the analysis is where there will be new residential. The school district has a great need if the new development will include new students and this must be articulated to them because of the $6000 cost per new student. Notifying and involving the county is also important. Council should be aware of all these things.

It is not difficult for the city to get an initial take on the potential revenue of the project based on current numbers. The county will help with that as well with a short form for investment. That does not take too much work. By statute, the taxing entities must enter an interlocal agreement that they are willing to participate. The county auditors must take a look at the numbers as well. Doug Larsen shared an example of the Powder Mountain Development. He said the county is supporting this project at 75% of the new tax revenue but the school district is only supporting with 50%.

Once the interlocal agreements are signed and approved, that triggers the first year the taxes will flow to the project. This starts the time clock on the project. It is important for the city or developer to begin soon if there is not going to be significant revenue coming off the project immediately. The city is really the one to make that decision.

Council Member Robinson asked if there are examples dollar wise to look at the return for residents. What this will cost the residents down the line. Doug Larsen said they can provide that. He added that most agencies have not paid attention to that. He asked Council to consider the residential development that has occurred in the last 10 years and how new development will impact residents. A project like this has an impact on both increased public safety but also an increase in infrastructure. Council must consider also the projected revenue. Council Member Robinson asked for exact numbers. Doug Larsen explained it often takes years to see the long term benefit.

Council Member Robinson asked if there are examples of failed projects. Doug Larsen said when an agency goes out and borrows money to invest in the project, this often increases the risk. They are taking a risk that the benefit will pay off and if there is not sufficient revenue to cover the project this creates a liability for the city. If there are no borrowed funds on the city's end even if the project only creates half of the new taxable value that was projected, it does not cost the city anything. The development will receive less. In a case where the projected revenue would be used for future infrastructure and if the project could not pay for this, that would be a risk as well. The post performance model gives an idea of how well the project will perform. The county assessor's office values the project and it's less than the proposed amount, it doesn't really matter because revenue is only going to flow to the development on the new taxing money. If the city is not suffering, this only helps.

Council would want to consider projects with confidence that public facilitation will help move this project along earlier than what would have happened on its own. Thereby revenue is coming in sooner rather than later. Any increase in taxes is better than nothing. If there is no new revenue generated there would still be the same revenue that currently exists. It would not harm the city if there is no borrowed money on the project or something that the city is completely dependent on.

Additionally when considering a projected development with combined residential and commercial, we have to think about the reasons why we would ask taxing entities to pass on the taxes by participating in the development. The city must support a project 100%. They must believe, based on analysis that they need taxing entities participation for this development to occur.

Doug Larsen pointed out this ground will likely develop because it fronts Washington Blvd. The city can drive this development in a manner the city would like to see. Communities sometimes struggle with growth, whether we like it or not. Developers control this growth, but through these types of projects the city can control what, where, and when to lead the growth and development in a positive light.

Weber County is growing rapidly and the growth potential is in the north and northwest. If this development is in line with the city's master plan, there is growth potential.
Mayor Richins asked about the return in investment and whether there are examples of when projects did not pan out initially but the entity still brought it through. Doug Larsen responded he does not have examples of where the net benefit analysis was showing the project would not be successful but the city went forward anyway. That would be a tragic situation; he can certainly show projects that without the public investment would not have happened. Ogden City is an example of that, the public project created that is redeveloping downtown.

Part of the philosophy of CDA is the city needs to be involved and participate in these plans. Helping to expedite plans and being flexible and nimble to move through the process faster. There are also opportunities to offer incentives and how the city chooses to allow business in the community. If Council wants to achieve this, they must be part of the development. Otherwise, it's just going to happen without the city's interest.

Mayor Richins asked if he has a definition of mixed use and what his thoughts are for mixed use zones. Doug Larsen explained mixed use is residential, commercial (medical, dental, or office space), and retail together in the same zone. How this is integrated should be strategic. If there is proposed mixed use, the residential development should be specific to support the other commercial and retail. If this is done properly with the potential demographic in mind, the city can decide what type of commercial and retail to bring in. When considering mixed use, we must decide what the goal of the development is to integrate residential with commercial.
Council Member J. Pearce commented on the likelihood of the taxing entities participation. He feels this is a good thing for entities to participate. Mayor Richins pointed out the revenue is way down the road for the project. Doug Larsen agreed most projects start seeing revenue down the line. He said the project in Marriott-Slaterville is a 16 year project and got off the ground quickly. Marriott-Slaterville does not have property tax for residents.

Another opportunity is to really understand the revenue sources. What it costs the city for the business just to be here. How much is the land worth per acre, per block, throughout the different areas in the city.
Mayor Richins asked for more examples. Council Member Robinson commented he would like

to look at a failed project. He feels there is much to learn from failed projects. Doug Larsen again pointed out projects failed because there was not sufficient revenue to cover the borrowed money.

Council Member R. Pearce commented she feels mixed use should be more integrated. She does not feel this project integrates residential with commercial. Doug Larsen said with what he knows about this project, he considers it a good project. He suggested this be part of an overall strategic plan.

Council Member Robinson expressed his concern with infrastructure requirements and recent flooding in surrounding cities. Mayor Richins pointed out the recent flooding was unrelated to infrastructure requirements because people were illegally draining sump pump storm water and overfilled the capacity of sewer lines. Council Member Jensen related the amount that was overfilling the sewer lines at 7 gallons per minute rather than the 2 gallon per hour capacity load. That was way too much water for the sewer lines to handle. Mayor Richins pointed out the sewer and water district control these requirements. Council Member Robinson said in his opinion when changes are made to the contour of the land, it changes water flow. Council Member Jensen said Harrisville has done a great job of addressing drainage throughout the city. Most flooding is avoided by good planning practices.

Aaron Thornock gave an update on the proposed project. The last plan presented gives a good overview of the project. The original proposal included a cul de sac but was adapted to extend through to Larsen lane. To line up the roads, Mr. Brown's property would have to be included. They have been unable to acquire that property. The tenant came back with an unreasonable price. These are things the city must consider if they want to drive the development in the future. Timing is becoming an issue with the building season coming shortly. Council Member Jensen asked about the time frame. Aaron Thornock pointed out it costs money to hold onto property and spring and summer are construction months. If they miss this window it pushes the development another year. He pointed out he is indifferent about where the road lines up. It was the city's preference to line up the road but at this point that would require imminent domain to secure the necessary land. Council Member Jensen said she has reservations about the road not lining up. They would have to create a right turn only access. Council Member R. Pearce said they could not block the entrance to Thoroughbred Crossing. Mayor Richins said that is a ways out. Council Member Jensen disagreed and said this needs to be considered now.
Doug Larsen said the city needs to understand they must articulate the "but/for" part of the project. City participation in the project, with consideration to the commercial pieces, and the public facilitation of this plan would enable the development sooner rather than later. In other words, this is not likely to happen in a reasonable time frame unless the city participates. In terms of timing, to support this project with tax dollars, for the tax year 2018, the initial resolution which includes the draft plan, must be approved by the end of the year. The interlocal agreements with the taxing entities can be secured after that, but the developer is going to want to know sooner rather than later.

Aaron Thornock said in anticipation of trying to get this done, they have secured financing for phase one. Mayor Richins expressed his desire to see the commercial developed first. Aaron Thornock said he is not opposed to doing things in reverse on the project if the city requires the commercial first. Council Member R. Pearce said she would like to see it more of a mixed use format. Mayor and Council gave discussion about different mixed use views.
Aaron Thornock said there is a risk on the development end. He does not mind entertaining the commercial first but without imminent domain on the part of the city to secure the road, he is not sure it will be worth the risk.

Council Member R. Pearce expressed she does not feel the residential fits the current zoning. Aaron Thornock confirmed it does not. The first proposal did. If the city would like to do the commercial phase as a CDA, which would be fine by him. He would like to start on the residential phase though. Mayor Richins said he feels that can be part of the plan. Council Member J. Pearce asked what parcel A and B will be used for. Aaron Thornock said he is unsure at this time. Council Member J. Pearce said Planning Commissioners will want to know what that land will be used for. Aaron Thornock said that is why the second plan is a better option. Council Member Jensen said she is not opposed to doing the residential first. As far as the imminent domain issue, she does not want to remove someone from their house. Aaron Thornock said there are a couple of land owners they are unable to contact. Council Member R. Pearce asked what business options they have on the commercial property. Mayor Richins pointed out that should not be discussed.

Doug Larsen suggested if the city wants to do this project, they should create a resolution to include the survey area and start the analysis. This is a great exercise to find out the potential of the project.
Mayor Richins thanked Doug Larsen for his time and effort with the presentation.

3. **Adjourn.**

Mayor Richins declared the meeting adjourned at 8:20pm.

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BRUCE RICHINS
Mayor

ATTEST:

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JENNIE KNIGHT
City Recorder
Approved this 14th day of March, 2017