



RDA BUDGET STAFF REPORT

REDEVELOPMENT AGENCY BOARD of SALT LAKE CITY

TO: RDA Board Members

FROM: Jennifer Bruno, Ben Luedtke and Allison Rowland
Budget analysts

DATE: June 1, 2021

RE: Redevelopment Agency (RDA) Budget – FY 2022

BUDGET BOOK PAGES: Key Changes B-49 to B-60, Department Overview E-87 to E-90,
Staffing Document F-18

Project Timeline:

1st Briefing: May 18, 2021

2nd Briefing: TBD

Budget Hearing: May 18, and June 1

Potential Action: June 8 or 15 (TBD)

The Board reviewed this information at the May 18th and June 1st budget discussions. The Board received additional information from the Administration on indicated items of interest. The purpose of this staff report is to confirm what will be presented to the Board for adoption on June 15th. If the Board has any questions or concerns about the proposed changes to the recommended budget, please raise those issues at the June 8th meeting, so that staff has the opportunity to adjust adoption paperwork.

1. **Shift Northwest Quadrant (inland port) housing money** to “Westside Urban Land Fund” modeled after a Community Land Trust concept. Funds will be kept in a holding account pending further discussion with the Administration and approval by the Board. - \$250,000
2. **ADU program – fund via the “Secondary Housing Fund” – (\$TBD)** – Funds were originally recommended to be added to a larger loan pool for an affordable housing Notice of Funding Availability (NOFA).
 - Board members expressed a general interest in maximizing the number of units that could be delivered with the funding, as well as encouraging quality urban design.
3. **North Temple Strategic Intervention** – The Board supported consolidating various ideas into a single account for strategic intervention activities along North Temple, to be determined by RDA staff and approved by the Board. The following funding sources are proposed, totaling approximately \$3 million:
 - North Temple Catalytic Project - \$1.33m assuming the Board approves BA#9 and FY 22 budget as proposed)) – Board members expressed the view that this is similar in concept to strategic intervention and were comfortable allocating funds in this way. (Note: this includes shifting funds earmarked for this concept in the proposed FY 22 budget as well).
 - “Strategic Site Acquisition” – The Board expressed support for consolidating these funds into an account focused on strategic interventions along North Temple.
 - North Temple Viaduct CDA Increment (General Fund - \$1m) – The Board expressed support for transferring funds from the General Fund, in excess of the amount required for debt service

- payments on the North Temple Viaduct bond, to be reinvested back in the North Temple Corridor. Council Action is also required to complete this transfer.
- Holding account for capital investment in underserved communities – The Mayor’s recommended budget proposes allocating \$1 million from this account to the Fairpark Public Market. This leaves \$669,138 in that account, which will lapse to general fund balance unless the Council allocates it. The Board expressed support for allocating these funds for potential strategic intervention(s) in the North Temple corridor. Council action is also required to complete this transfer.
4. **Prioritizing Family Sized Units and/or Homeownership models** - As the RDA releases the next Notice of Funding Availability (NOFA) for affordable housing. The Board expressed interest in prioritizing these two criteria above other criteria also considered in evaluating projects applying for these dollars.
 5. **Energy efficiency requirements** – the Board expressed support for moving forward with energy efficiency requirements more immediately. RDA staff indicates that they are working on a sustainability policy which will establish minimum thresholds for projects. The Board could schedule this policy for discussion when it is ready and in the interim could advise RDA staff to pause forwarding any loans/participation until that policy is adopted, unless they meet the anticipated policy.

The following information was provided for the May 18th and June 1 RDA budget discussions. It is provided again for reference.

Update/Follow up Information

The Board initially discussed this item during the May 18th RDA meeting. RDA staff has provided the following additional information on new programs proposed in the FY 22 budget.

- *Storefront and Commercial Revitalization Programs (Funding sources: CBD tax increment in BA#1 and FY 22, FY 22 Program Income Fund):*

“To better leverage resources, target community needs, support smaller-scale projects, and facilitate anti-displacement strategies, the RDA is working on proposed revisions to the RDA Loan Program and the development of a new Storefront Activation Program. It is envisioned that revisions to the RDA Loan Program will provide for the targeting of project-specific needs, including small-scale projects, tenant improvements, and the revitalization of existing/underutilized buildings. The intent of the Storefront Activation Program is to facilitate the occupancy of ground-floor commercial space by local and underrepresented businesses.”
- *Sustainability Technical Assistance Program (Funding sources: FY 22 Program Income Fund):*

A new program to assist developers with implementing heightened sustainability standards that will increase resiliency and reduce negative impacts on the environment. Funding will be utilized to assist developers in performing sustainability activities, whether through direct funding to developers or through RDA-led trainings. Activities could include energy modeling, trainings by technical experts, and technical assistance for projects to acquire sustainability certifications.
- *Cultural & Community Initiative Program (Funding sources: FY 22 Granary Tax Increment):*

A new program to reinforce public arts and cultural programming by supporting community organizations in better carrying out their missions or projects. The program is intended to be similar to

the “Lighter, Quicker, Cheaper” model by incentivizing either small small-scale capital projects and/or capacity building. Projects could include building improvements, placemaking projects, community engagement efforts, and feasibility/planning studies. Eligible projects would need to demonstrate community involvement and support for the project.

Staff made note of potential adjustments Board Members expressed interest in considering. The Board may wish to discuss and/or refine these ideas further in collaboration with RDA staff:

6. **Shift Northwest Quadrant (inland port) housing money** to “Westside Urban Land Fund” modeled after a Community Land Trust concept. Funds could be kept in a holding account pending further discussion with the Administration and approval by the Board.
7. **Support an ADU program** - Board members expressed support in general for a program to incentivize the construction of ADUs.
 - o Board members expressed support for helping encourage ADUs City-wide. *Note: If a program is funded and intended to be City-wide, units would have to be restricted to 80% AMI. The Board may wish to ask RDA staff if tracking/enforcing this would be possible, or if a Citywide plan for ADU assistance could be structured in a way to minimize ongoing administrative costs.*
 - o Board members also expressed support for helping encourage ADUs in the 9 Line project area, per the agreement with the County. Because that agreement anticipates a 5 year time horizon, and increment hasn’t yet started flowing, some board members suggested funding it in that area specifically.
 - o Board members expressed a general interest in maximizing the number of units that could be delivered with the funding, as well as encouraging quality urban design.
 - o Tammy – secondary housing account is discretionary housing
8. **Increase funding/re-name North Temple Strategic Intervention.** The Board expressed an interest in shifting the “strategic property acquisition” category to “North Temple Strategic Interventions”. Staff has identified some potential sources for increasing this line item, although these are very preliminary. The Board may wish to discuss these further with RDA staff, including asking for help identifying other legal sources of funds for this purpose:
 - a. North Temple Catalytic Project (Current balance approximately \$x – some board members have pointed out that this is a similar concept)
 - b. Funds leftover in capital account set aside in the General Fund for investment in underserved communities (\$669,138)
 - c. PIF (reallocate from other programs TBD)
2. **Prioritizing homeownership and/or family sized units** - The Board indicated a desire to set aside some NOFA dollars with specific criteria for homeownership and/or family sized units
Top of the priority list – not funding set aside
3. **Evaluate funds not programmed as a part of the Budget Amendment Discussion.**
4. **Other areas of interest/potential legislative intents:**
 - a. Some Board Members expressed an interest in requiring energy efficient projects as a condition of any potential future RDA loan/investment as of July 1, 2021. The Administration is recommending this as a phased in strategy with a goal of 2023.
 - b. Some Board Members have expressed an interest in understanding the full structure of accounts within the RDA including fund balances and capital projects funded in previous years. The Board may wish to discuss with the RDA staff the best way to get this information on a real-time basis. *Staff note: The City’s Enterprise Resource Planning (ERP) effort will help in tracking/providing this information in a less labor-intensive way, although the horizon for full implementation could be a year or longer.*

The following information was provided for the Board’s initial briefing on May 18th. It is provided again for reference.

ISSUE AT-A-GLANCE

The Mayor's FY 2022 Redevelopment Agency Recommended Budget includes tax increment spending in all project areas for projects, loan funds, as well as department administration. See page E-87 of the Mayor's Recommended Budget book for an overview of the Department including the mission statement. Staff has also included Attachment 2 showing the RDA's guiding framework which comprises the updated mission statement, core values and livability benchmarks. The total proposed FY 22 budget is \$57.9 million which is \$3.7 million more (6.8%) than FY21. RDA revenue includes tax increment, loan proceeds, parking garage and commercial space rental revenues, interest income and private donations for the Eccles Theater. The largest non-donation source of revenue is tax increment, which will generate \$37.5 million in FY 22 from ten active project areas (up from \$33m in FY 21).

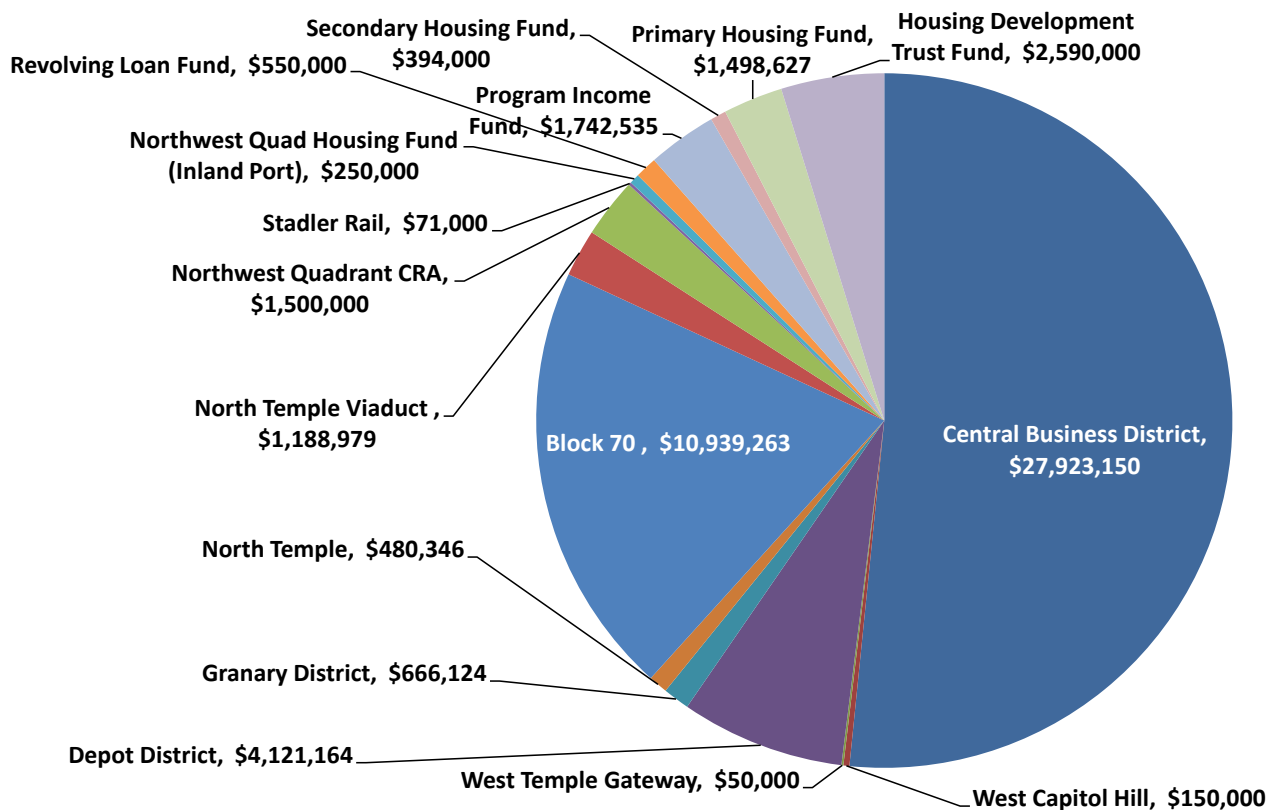
Note that the newly created 9-Line and State Street project areas will begin the first year of collecting tax increment which revenues will be part of the FY23 annual budget. The Administration could come to the Board with budget amendment funding requests for those projects in FY22. The 9-Line project area has received final approval for tax increment participation from the City, County and School District. The State Street project area has received final approval for tax increment participation from the City and School District but negotiations with the County are ongoing.

New for FY 22 is tax increment from Stadler Rail, tax increment from the Northwest Quadrant CRA (north of I-80), and the housing set-aside from the Inland Port Area per state legislation (shown as "NWQ Housing Fund" on page B-58). It's important to note that tax increment must be used in the project area where it was generated (unless utilized for 80% AMI or below). Other agency revenue sources are more flexible and may be spent outside of project areas for housing and economic development purposes (within state law limitations). These other revenue sources include Program Income Fund, the Revolving Loan Fund, and Primary housing funds (including Inland Port housing set-aside). As a matter of policy, the Board has committed to using the Inland Port housing funds to benefit the western area of the City. The proposed budget for the RDA includes 19 FTEs for central RDA activities and 13 FTEs for Gallivan-related maintenance (budget for Gallivan-related maintenance is now handled in a donation account). Gallivan funding and FTEs were transferred to the RDA from the Public Services Department in the FY21 annual budget.

The Administration indicates that the FY 22 RDA budget focused on two priority areas:

- Affordable Housing Development – This is discussed in further detail in a separate staff report and agenda item. Summary of budget line items for this goal are on page 4.
- Commercial Revitalization Program – Staff indicates that they “will be proposing revisions to the Agency’s loan policy to update it for commercial projects. The proposed revisions will focus on improvements to a building or site, decreasing vacancy rates for an area, provide missing retail or service opportunities, and create new commercial spaces. The proposed budget includes allocations for this initiative as well as other commercial development efforts within project areas.” This is proposed in the “Capital Projects” Account (see attachment 3), which means that funds will not lapse to fund balance at the end of each fiscal year.

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**does not include previously allocated revenue, cash reserves (fund balances) or Capital project budgets, or previous Notice of Funding Availability (NOFA) for Housing*

The FY 22 budget continues the process of bringing budgeting for RDA dollars in line and in context with City budgets. The RDA budget is presented in the Mayor's recommended budget book along with other departments. Some corrections have been made to the Key Changes section, so staff has included the corrected version as Attachment 4. RDA Capital Projects requests are included as Attachment 3. See page 5 for staff notes on these items. The Department budget is also shown in summary form on page E-89, and staffing document on page F-18.

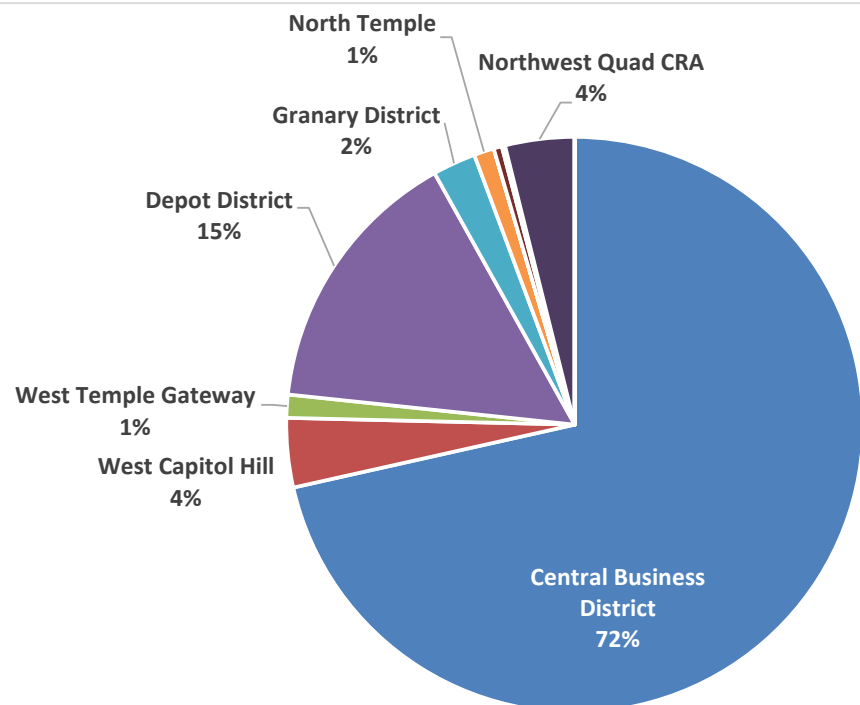
The RDA budget will have follow-up discussions through May and June as needed. It will also have public hearings on May 18th and June 1st with tentative adoption scheduled for June 8th or 15th.

KEY ELEMENTS OF THE MAYOR'S FY 2022 RDA BUDGET PROPOSAL

Staff has highlighted key areas of the Mayor's Recommended FY 2022 RDA budget:

1. **Administrative Budget** – The FY 2022 budget includes transfers of tax increment and Program Income Fund revenues to cover the approximately \$3.8 million Administrative budget. The 13 FTEs relating to the Gallivan center are budgeted in the donation account, although they are considered under the purview of the RDA, as reflected in the staffing document. The following charts delineate the sources of funding for the Administrative budget, as well as the specific uses:

RDA Administrative Budget - Sources				
	FY 2021 Adopted	FY 2022 Proposed	\$ Change	% Change
Central Business District	\$ 2,506,650	\$ 2,757,315	\$ 250,665	10%
West Capitol Hill	\$ 100,000	\$ 150,000	\$ 50,000	50%
West Temple Gateway	\$ 50,000	\$ 50,000	\$ -	0%
Depot District	\$ 576,642	\$ 588,175	\$ 11,533	2%
Granary District	\$ 91,342	\$ 93,168	\$ 1,826	2%
North Temple	\$ 42,681	\$ 43,535	\$ 854	2%
Block 70 <i>(does not allow for Administrative collection)</i>	\$ -	\$ -	\$ -	n/a
North Temple Viaduct <i>(limited to 1.5% of increment)</i>	\$ 17,375	\$ 17,722	\$ 347	2%
Stadler Rail	\$ -	\$ 7,100	\$ 7,100	
Northwest Quadrant CRA	\$ -	\$ 150,000		
NWQ Housing Fund <i>(10% from Inland Port Area - not intended for Admin)</i>	\$ -	\$ -	\$ -	n/a
Revolving Loan Fund	\$ -	\$ -	\$ -	0%
Program Income Fund	\$ 176,610	\$ -	\$ (176,610)	
Primary Housing Fund	\$ -	\$ -	\$ -	0%
Total	\$ 3,561,300	\$ 3,857,015	\$ 295,715	8%



FY 2022 Proposed Administrative Budget Sources

RDA Administrative Budget - Uses					
	FY 2021 Adopted	FY 2022 Proposed	%	Change	Notes
Personal Services - RDA	2,100,484	2,254,632	9%	154,148	
Operating and Maintenance	308,116	360,000	14%	51,884	
Charges and Services	202,700	202,700	0%	0	
Administrative Fees	800,000	939,683	0%	0	
Furniture, fixtures, equipment	150,000	100,000	-25%	(50,000)	
Total RDA Budget	3,561,300	3,857,015		295,715	
Donation Fund - Gallivan Staff/Maintenance	1,171,996	1,044,389		(127,607)	

- a. No official policy guides how much each district contributes to the Administrative budget, although to some extent it is related to available increment. The Central Business District is typically the largest contributor, although the percentage has varied. In FY 22 it is proposed to be 72% of the Administrative budget. ***The Board may wish to ask the Administration to evaluate the overall strategy for funding the Administrative budget in future years, particularly as project areas expire. For example, the Depot District will stop collecting tax increment after 2022 and that project area contributes 15% of the proposed FY22 administrative budget. Staff note: there is no statutory prohibition against using General Fund dollars to fund Redevelopment Agency employees, since they are City employees. The City's elected officials could elect to reimburse RDA for a portion of the housing duties that they perform.***
 - b. ***Because RDA revenues are estimated, and can come in either higher or lower than projected, the Board may wish to discuss policy guidance on how the RDA should handle unexpected shortfalls in tax increment revenues, particularly as it relates to the Administrative budget,*** which is generally a fixed and ongoing cost (salary and benefits). Staff is inquiring about the level of fund balance remaining after this budget. Board Members previously expressed interest in aligning project area fund balances with fixed costs and contractual obligations to ensure sufficient funding is available to cover those expenses if tax increment significantly decreases in a future year.
2. **RDA funding for housing** – The Mayor's Recommended FY 2022 budget reflects a continuation of the policy approach implemented as a pilot in FY 20, to streamline affordable housing **development** under the RDA and affordable housing **programs** under Housing and Neighborhood Development (HAND). One of the pilot goals was to create a "one-stop shop" for housing developers seeking financial assistance. The total housing investment proposed in the FY 22 budget is \$4.7 million, an 18% increase over FY 21 investment levels. *It should be noted that the Board could choose to allocate additional funds for housing programs from any of the project areas (subject to project area regulations), or program income fund.*
- a. The RDA also continued funding for the "Primary Housing Fund" through transfers of tax increment from various project areas (based on state requirements at the time those project areas were adopted). The Secondary Housing fund reflects a transfer from the Northwest Quadrant CRA (north of I-80), to contribute to the "Housing Development Loan Program". Funds from the 10% set-aside from the Inland Port jurisdictional area are reflected and tracked separately (page B-58). RDA Staff notes that the Secondary Housing Fund is intended to include transfers of increment above what is required by mandatory set-asides.
 - b. **The RDA is proposing a variety of strategies to implement various housing goals of the City with these funding sources. An initial discussion was held on May 4. These strategies will be discussed in more detail during a follow up briefing for that agenda item. Please refer to that staff report for policy questions on this issue and for a summary of ideas raised by Board Members in the May 4 discussion.** Staff will track any edits/changes to the proposed programs and accounts along with the adoption of the overall RDA budget. The following chart summarizes the sources and proposed uses in the various accounts:

RDA Housing Programs				
	Adopted 2021	Proposed 2022	\$ Change	% Change
Housing Development Trust Fund				
Sources				
Transfer from General Fund/Funding our Future	\$ 2,590,000	\$ 2,590,000	\$ -	0%
Uses				
Housing Development Loan Prgm (Holding Account)	\$ 2,590,000	\$ 2,590,000	\$ -	0%
Primary Housing Fund				
Sources				
Transfer from Depot	\$ 768,856	\$ 784,233	\$ 15,377	2%
Transfer from Granary	\$ 121,789	\$ 124,225	\$ 2,436	2%
Transfer from North Temple	\$ 85,362	\$ 87,069	\$ 1,707	2%
Transfer from Stadler Rail	n/a	\$ 7,100	\$ 7,100	
Transfer from Northwest Quadrant CRA	n/a	\$ 150,000	\$ 150,000	
Interest Income	\$ 305,225	\$ 225,000	\$ (80,225)	-26%
Loan Repayments	\$ 80,225	\$ 70,000	\$ (10,225)	-13%
Uses				
Housing NOFA (new approach proposed for FY 22)	\$ 1,363,779	\$ -	\$ (1,363,779)	-100%
Housing Development Loan Prgm (Holding Account)		\$ 498,627	\$ 498,627	new
Strategic site acquisition (Holding Account)		\$ 1,000,000	\$ 1,000,000	new
Secondary Housing Fund				
Sources				
Interest Income	\$ 44,000	\$ 44,000	\$ -	0%
Transfer from Northwest Quadrant CRA	\$ -	\$ 350,000	\$ 350,000	new
Uses				
Housing Development Loan Prgm (Holding Account)	\$ -	\$ 394,000	\$ 394,000	new
Infill Housing Development	\$ 44,000	\$ -	\$ (44,000)	
Northwest Quadrant Housing Fund (Inland Port 10%)				
Sources				
UIPA Housing Allocation	\$ -	\$ 250,000	\$ 250,000	new
Uses				
Capital Exp - ADU Incentive Program	\$ -	\$ 250,000	\$ 250,000	new
Total	\$ 3,997,779	\$ 4,732,627	\$ 734,848	18%
*This chart does not include funding still available from previous NOFAs. In addition, housing projects can also be funded through sources not specific to housing, like Program Income Fund, the Revolving Loan Fund, or project area tax increment. Those are typically evaluated on a project by project basis.				

Note: Some Board Members requested that the ADU Incentive Program be funded from a source other than the Northwest Quadrant Housing Fund, expressing a preference for those funds not to be expended until the Board has the opportunity to set priorities relating to those funds.

3. **Redevelopment Agency Capital Projects Proposals** – The FY22 RDA budget includes funding for 11 capital projects. Overall funding for RDA capital projects is \$ 2,947,019. It should be noted that the Board sometimes approves millions in additional funding for capital projects in budget amendments throughout the fiscal year. RDA Budget Amendment #1 of FY21 also scheduled for a May 18 briefing includes several capital projects. A few capital projects having funding requests in both the FY21 budget amendment and the FY22 annual budget. The table below provides a summary of the FY22 proposed

capital projects, identifies which projects are requesting funding in both budget openings and potential policy questions for the Board to consider.

Like last year, the Administration is preparing a CIP Book that summarizes and provides further details on individual capital projects for the General Fund and Enterprise Funds including the RDA. At the time of publishing this staff report the CIP Book was forthcoming.

The Board may wish to consider whether it would add value to encourage the Administration, in future years, to have RDA capital project requests go through the same public process/Citizen Advisory Board vetting and recommendations that General Fund CIP applications do. The Board has previously discussed that opportunities to leverage RDA funds with other City and private resources are enhanced when the information is processed in concert.

Note: If approved by the Board, these would be considered capital accounts and funds would not lapse to the project area's fund balance if unspent by the end of the fiscal year. The Board may wish to review these in detail now or may wish to defer discussion on some or all until after the budget season, as is done with the General Fund CIP. All General Fund and RDA Capital Projects must be approved by September 1 according to the City Attorney's interpretation of the Utah Fiscal Procedures Act.

Project Area	Project Name	FY22 Proposed	Policy Questions / Notes
Central Business District	Storefront Revitalization	\$ 83,832	The Board may wish to ask: - How many storefronts could be improved at this funding level? - How would businesses find out about this new program? - Will the process be first come first served or will criteria provide prioritization?
Block 70	Regent Street Parking Structure Capital Reserve	\$ 100,000	Contractual obligation to contribute towards maintenance and long-term capital repairs. PRI provides parking for the Eccles Theater The FY21 annual budget included \$100,000 for the same purpose
Depot District	Station Center Infrastructure	\$ 332,179	Project does not have a funding target or total cost estimate. Designs for the new streets, public amenities and utilities have changed in recent years and are not finalized Note that RDA Budget Amendment #1 is also requesting \$959,009 in additional funding for this project The Board may wish to ask: - What is the total approved funding for Station Center infrastructure?
	Environmental Remediation Station Center Sites 3 & 4	\$ 200,000	The FY21 annual budget included \$200,000 for the same purpose The Board may wish to ask: - How was the FY21 funding used? - What additional environmental remediation is known and are more tests needed to fully identify the need and total cost?

Project	Project Name	FY22	Policy Questions / Notes
Granary District	Community & Cultural Initiative <i>NEW PROGRAM</i>	\$ 443,731	<p>The Board may wish to ask:</p> <ul style="list-style-type: none"> - What are the goals of this new program and how does it align with the RDA's recently updated guiding framework? - What can the program accomplish before the Granary District stops collecting tax increment in two years? - How would interested parties find out about this new program? - Will the process be first come first served or will criteria provide prioritization? - Is the FY22 funding in addition to the funding requested in RDA Budget Amendment #1 of FY21?
North Temple	10% School Fund	\$ 30,474	Contractual obligation per Interlocal Agreement with School District
	Catalytic Project (Location TDB)	\$ 289,268	<p>Project does not have a funding target or total cost estimate</p> <p>Note that RDA Budget Amendment #1 is also requesting \$414,505 in additional funding for this project.</p> <p>The Board may wish to ask:</p> <ul style="list-style-type: none"> - What is the total approved funding for the catalytic project?
Northwest Quadrant	Shared NWQ Costs	\$ 350,000	<p>Note that RDA Budget Amendment #1 is also requesting \$168,464 in additional funding for this project</p> <p>The Board may wish to ask:</p> <ul style="list-style-type: none"> - Is there a list of expected future infrastructure projects and cost estimates for the shared costs? - What are the RDA's legal obligations, if any, to share costs in this project area?
Program Income Fund	Commercial Revitalization Program <i>NEW PROGRAM</i>	\$ 667,535	<p>The Board may wish to ask:</p> <ul style="list-style-type: none"> - What are the goals of this new program and how does it align with the RDA's recently updated guiding framework? - Will the program be available in all project areas or targeted to specific areas? - How would interested parties find out about this new program? - Will the process be first come first served or will criteria provide prioritization?

Project	Project Name	FY22	Policy Questions / Notes
	Sustainability Technical Assistance Program <i>NEW PROGRAM</i>	\$ 200,000	The Board may wish to ask: - What are the goals of this new program and how does it align with the RDA's recently updated guiding framework? - Will the program be available in all project areas or targeted to specific areas? - How would interested parties find out about this new program? - Will the process be first come first served or will criteria provide prioritization? - How will the Sustainability Department be involved in the new program?
	Gallivan Repairs (Grand staircase and eastern expansion joint)	\$ 250,000	Contractual obligation per agreements and plaza ownership structure Project does not have a funding target or total cost estimate The FY21 annual budget included \$250,000 for the same purpose
TOTAL		\$ 2,947,019	

Note: the capital projects budget does not include the four housing funds which are addressed in a separate section

4. Other highlights of FY 2022 RDA budget

- a. **Commercial Revitalization Program** – As discussed in the capital projects section above, this is a new focus area for FY 22, and is proposed to be funded through allocations from various project areas including CBD (\$82,000), and Program Income Fund (\$667,535). The Board may wish to discuss this program further with staff including goals and objectives.
- b. **Program Income Fund** – The primary source of funds for this account are revenues generated from the Gallivan parking structure (approx. \$1.2m/year). The budget also includes rents for RDA commercial spaces. It is the most flexible funding in the RDA portfolio, as State law does not place limitations/expectations for how and where funds are spent. In recent years this account has been used to fill funding gaps for infrastructure projects in the Central 9th area and Station Center, as well as provide seed funds for new project areas (9-Line and State Street). This year the Administration is proposing to use these funds as follows:

Program Income Fund - Proposed FY 22 Expenses			
	FY 21 Adopted	FY 22 Proposed	Change
Capital Expenditures - Commercial Revitalization Program - {Holding Account}-	-	667,535	667,535
Professional Services	299,009	300,000	991
Miscellaneous Property Expense	300,000	300,000	-
Capital Expenditures - Sustainability Technical Assistance Program - {Holding Account}-	-	200,000	200,000
Transfer to Administration	176,611	-	(176,611)
Marketing and Sales	25,000	25,000	-
Project Area Seed Funds	505,215	-	(505,215)
Capital Expenditures - Gallivan Repairs - {Holding Account}-	250,000	250,000	-
Capital Expenditures - Project Area Art - {Holding Account}-	250,000	-	(250,000)
Project Area Creation	100,000	-	(100,000)
Total Expenditures and Other Uses Budget	1,905,835	1,742,535	(163,300)

- c. **New Project Area Seed Funds** – While the proposed budget does not allocate additional dollars to the “Seed Funds” account, the Board may wish to ask the Administration if there are plans to utilize dollars allocated from previous years, in the coming year in the 9 Line or State Street areas, as those areas have not started to generate increment yet. It’s important to note that RDA Budget Amendment #1 for FY21 is requesting \$176,611 additional funding for project area seed funds.
- d. **Miscellaneous Property Expense.** This is a line item that appears in various project areas and is not covered by the RDA Administrative budget. It covers things like maintenance, security, and property taxes for properties owned or managed by the RDA. Actual expenditures vary year to year, and any unspent funds lapse to that project area’s fund balance. ***Due to the unique nature of some RDA properties, the RDA obtains insurance separately from the City’s “self-insured” approach for City properties. The Board may wish to ask the Administration to evaluate if there are any opportunities for savings/streamlining in this area for certain RDA properties.***

Project Area / Fund	FY 2021 Adopted	FY 2022 Proposed	Change	% Change
Central Business District	\$ 800,000	\$ 975,000	\$ 175,000	22%
Depot District	\$ 100,000	\$ 120,000	\$ 20,000	20%
Granary District	\$ 5,000	\$ 5,000	\$ -	0%
Program Income Fund	\$ 300,000	\$ 300,000	\$ -	0%
Total	\$1,205,000	\$1,400,000	\$ 195,000	16%

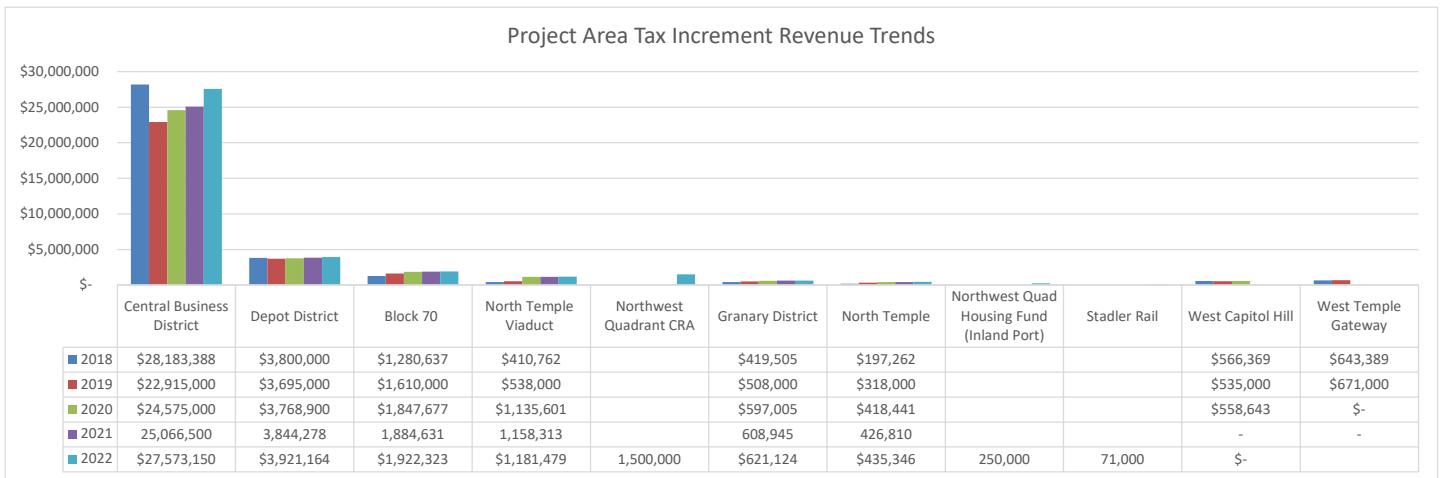
The Board may wish to ask the Administration for a report on actual expenditures from these line items.

- e. **Revolving Loan Fund (RLF)** – the FY 2022 budget proposes a RLF with a balance of \$550,000 available to lend which is \$302,000 (-35%) less than last year. Further, the FY21 budget was a year-over-year decrease from the FY20 budget by \$220,963 (-21%). ***The Board may wish to discuss with the Administration if they are aware of pending requests for these funds. The Board may also wish to ask what is causing the three-year trend of decreasing available to lend balances in the RLF and if it’s expected to continue.***

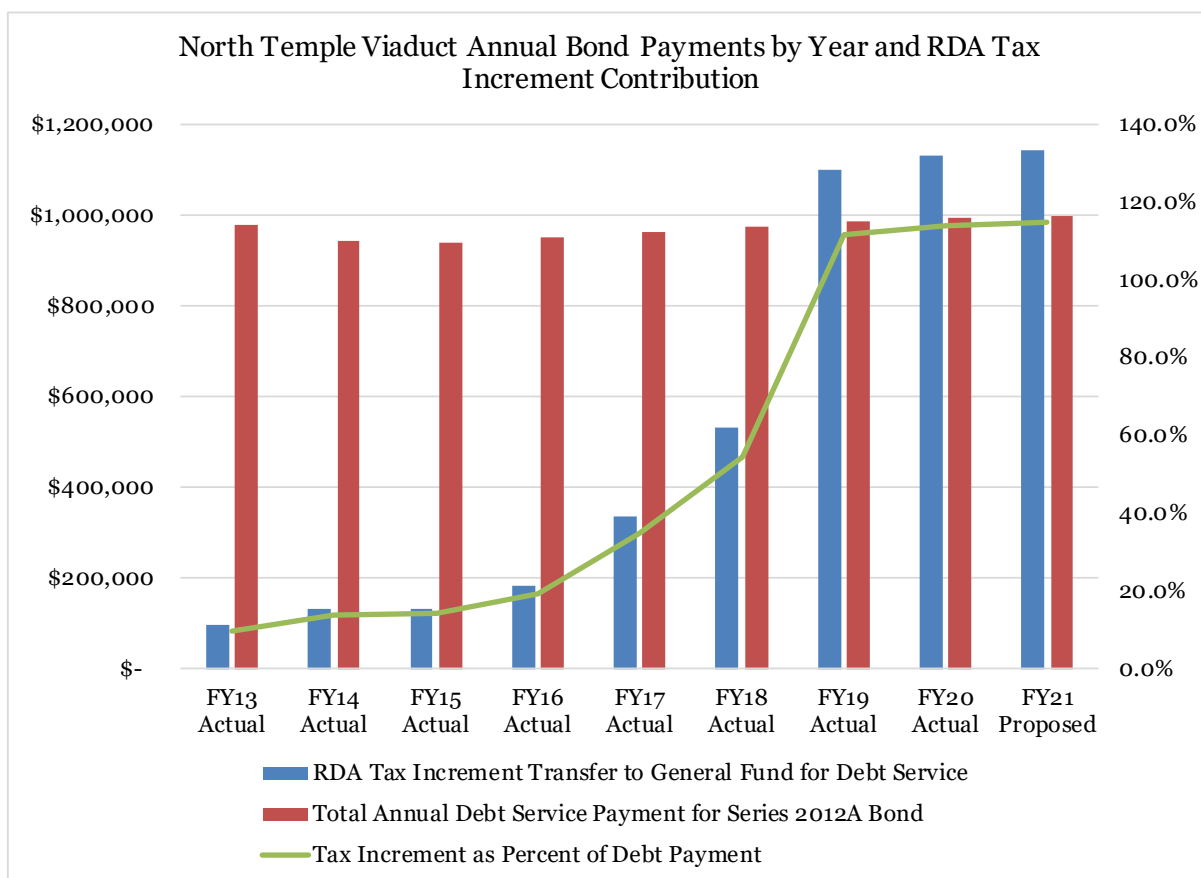
- f. **Regent Street Maintenance** – The Block 70 CDA budget includes an \$80,000 allocation to the General Fund for Regent Street Maintenance. The Attorney’s Office indicates that tax increment funds can be used to maintain public infrastructure. ***The Board may wish to ask the Administration if this transfer is the long-term plan for maintenance on Regent Street when the Block 70 CRA ends in 2040.***
- g. **Gallivan Employees and Maintenance** - the proposed budget continues the management of the 13 Gallivan Employees and maintenance under the RDA (funding through the donation account). The Board may wish to ask the Administration for a review of how this approach is working compared to the previous approach of managing those employees in the General Fund (Public Services Department), particularly as it relates to service level and programming. Due to the pandemic and related public event restrictions FY21 may be a difficult year to compare to recent years.
- h. **Interest Income and Rental Income changes during COVID pandemic** – The RDA budget includes increases for interest income in some project areas and decreases in others (see chart below). The general fund is projecting an overall decrease in interest income due to continued low rates on a national and state level. The RDA is proposing a decrease in rental income from \$315,000 to \$215,700 (Program Income Fund). The Board may wish to discuss with the RDA how these trends may change as the economic recovery continues.

Interest Income				
Project Area / Fund	FY 21 Adopted	FY 22 Proposed	\$ Change	% Change
Central Business District	\$ 300,000	\$ 350,000	\$ 50,000	17%
West Capitol Hill	\$ 100,000	\$ 150,000	\$ 50,000	50%
West Temple Gateway	\$ 50,000	\$ 50,000	\$ -	0%
Depot District	\$ 180,000	\$ 200,000	\$ 20,000	11%
Block 70	\$ 50,000	\$ -	\$ (50,000)	-100%
Stadler Rail	\$ -	\$ -		
Northwest Quad Housing Fund (Inland Port)	\$ -	\$ -		
Revolving Loan Fund*	\$ 577,000	\$ 470,000	\$ (107,000)	-19%
North Temple Viaduct	\$ 1,500	\$ 7,500	\$ 6,000	400%
Northwest Quadrant CRA	\$ -	\$ -		
Secondary Housing Fund	\$ 44,000	\$ 44,000	\$ -	0%
Program Income Fund*	\$ 260,500	\$ 250,000	\$ (10,500)	-4%
Granary District	\$ 40,000	\$ 45,000	\$ 5,000	13%
North Temple	\$ 14,000	\$ 45,000	\$ 31,000	221%
Primary Housing Fund*	\$ 225,000	\$ 225,000	\$ -	0%
Housing Development Trust Fund	\$ -	\$ -	\$ -	
Total	\$ 1,842,000	\$ 1,836,500	\$ (5,500)	0%
*Includes interest on investments and interest earned on loans				

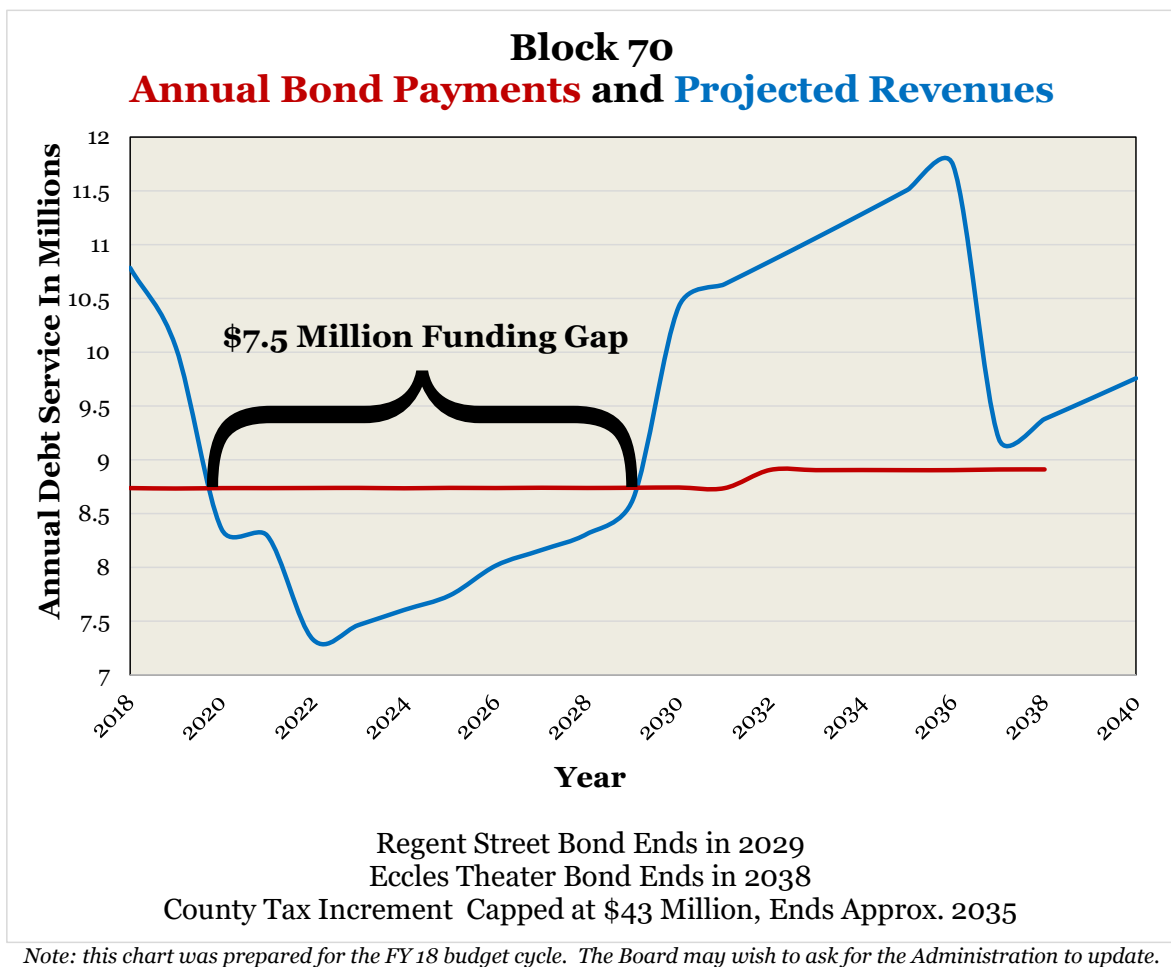
5. **Trend in Increment Received** - During the FY 19 budget cycle the Administration noted that actual increment received in a number of districts was lower than in previous years, which did not track with the overall increase in total property valuation in the City. Since that time the Administration worked with County staff and a consultant who have determined that it was an “anomaly,” and actual revenue received since then tracks more consistently with valuations. Staff has provided this information for Board context. The Board may wish to request a copy of the findings from the consultant’s work.



- a. North Temple Viaduct Debt service** – The RDA created the North Temple Viaduct project area specifically to help offset the debt incurred by the City to issue bonds to rebuild/shorten the North Temple Viaduct in 2012. All increment except a small percentage for Admin is transferred to the general fund to offset this annual payment. The chart below provides a summary of tax increment received, annual debt service payment made by the City and the tax increment as a percent of those debt payments. In previous years the tax increment generated has not been sufficient to cover the full debt service payment (the general fund covers the remainder). However, starting in FY19, and continuing into FY 21, actual tax increment received exceeded debt service payments. The Board re-purposed this overage to re-invest on North Temple, and the Mayor’s recommended budget for the City includes a \$1 million investment in a State Fair Park Public Market on North Temple. Staff is confirming whether there are any funds available this year to reinvest in a similar manner, or if it makes sense to keep adding to this debt service “reserve” account.
Staff is confirming FY 22 actual debt service, but is providing this chart from FY 21 for context:



- b. **Eccles Theater Site Operations** – Per the terms of the operating agreement with Salt Lake County, the City/RDA are responsible for any operating shortfall that the County experiences in operating the ancillary sites around the Eccles Theater (Black Box, Regent Street Plaza, and Winter Garden). The FY 22 budget proposes \$475,000 for this purpose. Consistent with the Council’s initial goals for the construction of the Eccles Theater, the UPACA Board continues to ask County staff to find innovative ways to increase programming in the spaces, with a primary goal of activation rather than purely revenue generation. *Note as it relates to COVID: the County indicates that they are working with the Health Department to determine when, if, and how the Eccles Theater and ancillary spaces may be safely opened to the public. As of the timing of this staff report, the theater and ancillary spaces are operating at limited capacity. The Eccles Theater has applied for Federal assistance geared towards performing arts venues. As of the printing of this report County staff is awaiting response on that application.*
- c. **Block 70 Debt Reserve** – Each year the RDA funds a certain reserve for Debt Service for the Eccles Theater. If the FY 2022 budget is adopted as proposed (\$90,617 from Block 70 and \$1.8 million from CBD), Block 70 would have a debt service reserve of approximately \$7.2 million. This is kept in a capital account that will not lapse to fund balance each year, so it will continue to grow (interest income and future appropriations), as there is anticipated shortfall in Block 70 debt repayment sources in the coming fiscal years. RDA staff is working with finance to recalculate the exact amount of this gap. In 2018 it was calculated to be \$7.5 million. If tax increment grows at a faster rate in Block 70, this gap will be smaller. The reserve account will cover debt in these years. Staff will continue working with the Administration to determine the appropriate level of this reserve account. The below graph, although dated from 2018, illustrates the projected funding gap assuming a conservative tax increment growth of 2%. Annual bond payments are shown as the red line and available resources are shown as the blue line. The Administration indicates that they are working on confirming the exact amount of funding needed to fill these gap years.



GENERAL POLICY QUESTIONS –

- Project Area/Workload Prioritization** – The Board may wish to continue the discussion of project area and/or staff workload prioritization. In January 2020 the Board approved two resolutions establishing survey boundaries for potential Community Reinvestment Areas at the University of Utah Research Park and Stadium Village, and discussions are ongoing. Additionally, Staff is continuing to work with the County to secure their support for the State Street project area and has recently received County support for the 9 line project area. Affordable Housing Development in the City is also an overarching workload handled by RDA staff.
- Bonding for catalytic projects in new project areas** – The Board may wish to ask the Administration whether they have a recommendation for bond-eligible catalytic projects in either the State Street or 9-Line project areas, particularly given the favorable interest rate environment. Based on previous discussions, the Board and Administration agreed that bonding early in project areas, as was done for Block 70 and Regent Street/Eccles Theater, makes financial sense (bonding capacity is maximized early in a project area).
- Fund Balances for Project Areas with Ongoing Funding Obligations** – The Board may wish to review with the Administration the levels of fund balances (“savings accounts” or “cash reserves”) for project areas with ongoing obligations such as the Central Business District which has bond debt service payments and agreements (such as Eccles, Regent Street, and Gallivan) and significantly contributes to the RDA’s annual administration costs.

4. **Evaluation of Public/Private Partnership Models** - As the City and RDA consider the public / private partnership ideas that are periodically raised, the Board / Council could evaluate the model used with Gallivan and other Public/Private or multi-jurisdictional entities (Downtown Alliance, UPACA Board, Inland Port Board) to identify lessons learned, and pros/cons/variations in approach. A review of these different models could help future models establish role clarity, transparency expectations, and staff accountability upfront.
5. **Pooled Resources vs. Project Area Resources** – Some initiatives and projects previously funded with RDA tax increment have been funded by transferring funds out of one project area, into a pooled account, such as Primary Housing Fund or Revolving Loan Fund (via appropriation from Fund Balance). Because these accounts are flexible in terms of serving all project areas, this allows for a project area with limited tax increment to complete projects it might otherwise not be able to afford. There are not clear guiding policies that would help determine when it's appropriate to use this approach for a given project or initiative, but in the past it has enabled the RDA to respond to unique opportunities/projects.
6. **Consistency between RDA and City Policy** – Currently the Board adopts policies to guide RDA investment that typically mirror City policies, although in some cases they are different and/or more targeted to RDA activities. The Board could adopt a blanket policy indicating that if the RDA does not have a policy for a given area, the City policy applies.

ADDITIONAL & BACKGROUND INFORMATION

Gallivan Utah Center Owners Association (GUCOA)

GUCOA is the managing agency for the entire block through Covenants, Conditions & Restrictions (CCRs) and is responsible for maintenance and programming. The RDA is the majority owner (over 51%). The CCRs originally contemplated a contractor to provide maintenance and programming which has been provided by the Public Services Department after an RFP process. An assessment is levied on the first floor of adjacent commercial properties to contribute funding to administration, programming and events. The programming contract has requirements for a set number of events that must be open to the public annually. Gallivan also provides many free events to activate the space consistent with the Council/Board's public policy goals for downtown.

Project Area Expiration Dates

Project areas have a designated expiration (aka sunset) date. State law allows RDAs to continue spending tax increment already collected in expired project areas such as Sugar House. Sometimes project areas can be extended/renewed for a longer length which happened to the Central Business District. The table below summarizes project area timeframes from creation to expiration.

Project Area	Initial Collection Year	Last Collection Year	Total # Years T.I. Collection
Central Business District*	1983	2040	58
Depot District	1999	2022	24
Granary District	2000	2023	24
North Temple	2012	2036	25
North Temple Viaduct CDA	2012	2036	25
Northwest Quadrant	2019	2038	20
Block 70 CDA	2016	2040	25
Stadler Rail	2019	2038	20
9-Line	2021	2040	25
State Street	2021	2040	25

NOTE: Only project areas that generate tax increment are listed in the table

**The RDA Board extended the CBD from the original expiration year of 2007*

*** The RDA Board extended the original expiration year to focus on 300 West streetscape improvements*

Statutory Definition of Project Area Development (Utah Code 17C-1-102(48))

The section of Utah Code below is a key list of allowable uses of RDA funds. The Utah Legislature updated this statute in the 2016 General Session.

- (47) "Project area development" means activity within a project area that, as determined by the board, encourages, promotes, or provides development or redevelopment for the purpose of implementing a project area plan, including:
- (a) promoting, creating, or retaining public or private jobs within the state or a community;
 - (b) providing office, manufacturing, warehousing, distribution, parking, or other facilities or improvements;
 - (c) planning, designing, demolishing, clearing, constructing, rehabilitating, or remediating environmental issues;
 - (d) providing residential, commercial, industrial, public, or other structures or spaces, including recreational and other facilities incidental or appurtenant to the structures or spaces;
 - (e) altering, improving, modernizing, demolishing, reconstructing, or rehabilitating existing structures;
 - (f) providing open space, including streets or other public grounds or space around buildings;
 - (g) providing public or private buildings, infrastructure, structures, or improvements;
 - (h) relocating a business;
 - (i) improving public or private recreation areas or other public grounds;
 - (j) eliminating blight or the causes of blight;
 - (k) redevelopment as defined under the law in effect before May 1, 2006; or
 - (l) any activity described in Subsections [\(48\)\(a\)](#) through [\(k\)](#) outside of a project area that the board determines to be a benefit to the project area.

ATTACHMENTS

1. Summary Comparison Budget Chart
2. RDA Guiding Framework Transmittal October 2019 (Mission, Core Values and Livability Benchmarks)
3. RDA FY 21 Capital Projects Request Log
4. REVISED – FY 22 RDA Key Changes (corrections from the Mayor's Recommended Budget Book)

ATTACHMENT 1
SUMMARY COMPARISON BUDGET CHART

Operating Budget by Division					
Division Budgets	2019-2020 Actuals	2020-2021 Adopted	2021-22 Proposed	Difference	
				Dollars	%
Administration	\$ 3,454,246	\$ 3,561,300	\$ 3,857,015	\$ 295,715	8%
Block 70	\$ 6,016,523	\$ 10,953,363	\$ 10,939,263	\$ (14,100)	0%
Central Business District	\$ 17,125,075	\$ 25,366,500	\$ 27,923,150	\$ 2,556,650	10%
Citywide Housing (Primary Housing Fund)	\$ -	\$ 1,363,779	\$ 1,498,627	\$ 134,848	10%
Depot District	\$ 2,233,062	\$ 4,024,278	\$ 4,121,164	\$ 96,886	2%
Granary District	\$ 35,843	\$ 648,945	\$ 666,124	\$ 17,179	3%
Housing Trust Fund	\$ -	\$ 2,590,000	\$ 2,590,000	\$ -	0%
North Temple	\$ 33,370	\$ 440,810	\$ 450,346	\$ 9,536	2%
North Temple Viaduct	\$ 1,526,826	\$ 1,159,813	\$ 1,188,979	\$ 29,166	3%
Northwest Quad CRA (North of I-80)	\$ -	\$ -	\$ 1,500,000	\$ 1,500,000	new
Northwest Quadrant Housing Fund (Inland Port Legislation)	\$ -	\$ -	\$ 250,000	\$ 250,000	new
Program Income Fund	\$ 636,245	\$ 1,905,835	\$ 1,742,535	\$ (163,300)	-9%
Project Area Housing (Secondary Housing Fund)	\$ 16,478	\$ 44,000	\$ 394,000	\$ 350,000	795%
Revolving Loan Fund	\$ -	\$ 852,000	\$ 550,000	\$ (302,000)	-35%
Stadler Rail	\$ -	\$ -	\$ 71,000	\$ 71,000	
West Capitol Hill	\$ 20,996	\$ 100,000	\$ 150,000	\$ 50,000	50%
West Temple Gateway (expired)	\$ 25,681	\$ 50,000	\$ 50,000	\$ -	0%
TOTALS	\$ 31,124,345	\$ 53,060,623	\$ 57,942,203	\$ 4,881,580	9%

By Function					
Department Budget	FY 2019-20 Actuals	FY 2020-21 Adopted	FY 2021-22 Proposed	Difference	
				Dollars	%
Personal Services	\$ 1,815,624	\$ 2,100,484	\$ 2,254,632	\$ 154,148	7%
Operations and Maintenance	\$ 2,276,649	\$ 1,108,116	\$ 1,299,683	\$ 191,567	17%
Charges and Services	\$ 21,881,937	\$ 31,782,155	\$ 30,100,552	\$ (1,681,603)	-5%
Interest and Bond Expense	\$ 5,150,135	\$ 13,984,334	\$ 15,962,163	\$ 1,977,829	14%
Capital Expenditures	\$ -	\$ 4,085,534	\$ 8,325,173	\$ 4,239,639	104%
TOTALS	\$ 31,124,345	\$ 53,060,623	\$ 57,942,203	\$ 4,881,580	9%