

AGENDA ITEM SUMMARY

DATE: 01/25/2010 **DEPARTMENT:** Administrative/Planning **DEPT. HEAD SIGNATURE:** HD

SUBJECT: Resolution finding that there is need for an urban renewal agency to act within the City of Hailey, to improve deteriorated or deteriorating areas within the City.

AUTHORITY: ID Code IAR _____ City Ordinance/Code _____
(IF APPLICABLE)

BACKGROUND/SUMMARY OF ALTERNATIVES CONSIDERED:

The mayor and council established as one of its goals the establishment of an urban renewal agency. The process of doing so is described in the attached document, and begins with the council making a finding that deteriorated or deteriorating areas exist within the city, and that there is a need for an urban renewal agency to function within the city. After that resolution is made, further steps can be taken as described in the attached.

The second step involves appointing the Commission members. Idaho currently allows for those commissioners to be the mayor and city council, but the council must designate itself as the commission through ordinance. This matter should be discussed, and if the council wishes to appoint others, a normal appointment process is followed. If the council wishes to appoint itself, the city attorney can draft an ordinance for the next city council meeting.

FISCAL IMPACT / PROJECT FINANCIAL ANALYSIS:

This is a good time to establish a URA, as the properties that will be designated as eligible for projects and tax increment financing will have their base value set at the value as of the beginning of the year during which the URA is established. Future market value growth will create a revenue source for the URA that can be used for the benefit of Hailey. There will be no negative impacts to the operating budget which is funded through property taxes, because we are allowed a 3% budget increase each year, and our levy is sufficiently low that, when multiplied by the market value, the 3% increase can be achieved.

ACKNOWLEDGEMENT BY OTHER AFFECTED CITY DEPARTMENTS: (IF APPLICABLE)

___ City Attorney ___ Clerk / Finance Director ___ Engineer ___ Mayor
___ P & Z Commission ___ Parks & Lands Board ___ Public Works ___ Other

RECOMMENDATION FROM APPLICABLE DEPARTMENT HEAD:

Adopt Resolution, discuss appointment process, direct staff according to discussion outcomes.

FOLLOW-UP/COMMENTS:

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PROCESS FOR FORMING AN URBAN RENEWAL AGENCY

1. City Council to pass a resolution stating: 1) one or more deteriorated or deteriorating areas exist in the City, 2) rehabilitation or redevelopment of such areas is necessary, and 3) there is a need for an urban renewal agency to serve the City. IC 50-2005
2. The Mayor, with advice and consent of the City Council, appoints a three to nine members to the Urban Renewal Agency (URA). The city council may appoint and designate itself to be the board of commissioners of the urban renewal agency through the enactment of an ordinance. IC 50-2006(2)
3. The Council authorizes initial funding for the agency to prepare an urban renewal plan and the Mayor designates City staff to provide support. Much of this work can be accomplished through the Downtown Revitalization Committee recently appointed.
4. The URA prepares a report regarding a proposed area and project for consideration by the Council. If the Council concurs with the report findings, the Council approves a resolution designating the proposed area as a deteriorated or deteriorating area appropriate for an urban renewal project.
5. The URA, with staff/consultant help prepares an urban renewal plan for the designated area. Property owners and affected taxing districts are notified and given the opportunity for input. The URA finalizes the plan and recommends the plan to the City Council for approval.
6. Following official review of the plan by the affected taxing districts, and the City Planning and Zoning Commission for compliance with the City's Comprehensive Plan, the Council holds a public hearing on the plan.
7. Following the public hearing, the Council can reject the plan, amend the plan, or (hopefully) adopt the plan by ordinance.
8. The URA approves a resolution authorizing the sale of a revenue allocation bond to finance the improvement identified in the plan.

CITY OF HAILEY
RESOLUTION NUMBER _____

A RESOLUTION OF THE CITY COUNCIL OF HAILEY, IDAHO DECLARING THE NEED FOR THE EXISTENCE AND BENEFIT OF AN URBAN RENEWAL AGENCY IN THE CITY OF HAILEY AS PROVIDED BY THE LAWS OF THE STATE OF IDAHO, FINDING THAT THE EXISTENCE OF DETERIORATED OR DETERIORATING AREAS EXIST WITHIN THE CITY OF HAILEY, AND DESIGNATING SUCH AREA AS APPROPRIATE FOR AN URBAN RENEWAL PROJECT.

WHEREAS, the Legislature of the State of Idaho enacted a law known as the Idaho Urban Renewal Law (Idaho Code Title 50, Chapter 20) and among other things said Act created in each municipality an independent public body, corporate and politic, to be known as the Urban Renewal Agency, and said Act provides that such agency shall not transact any business or exercise its powers, and no municipality shall exercise the authority conferred by the Act, until or unless the City Council has adopted a resolution wherein certain findings are made; and

WHEREAS it is the desire of the City Council of Hailey, Idaho to appoint a Board of Commissioners to the Urban Renewal Agency for the municipality and to empower such agency to transact business and exercise powers granted by the Idaho Urban Renewal Law, and it is the desire of the City of Hailey to exercise the authority conferred upon it by the said Act; and

WHEREAS, areas within the city boundaries of the City of Hailey contains a number of deteriorated or deteriorating elements as defined in Idaho Code Section 50-2018, which include, without limitation, a predominance of defective or inadequate street layout within some commercial or light industrial use districts, unsafe traffic impact on many streets, deterioration of site or other improvements including historic area alleys and sidewalks, a lack of sidewalks and safe pedestrian infrastructure which impede safe way-finding, the existence of conditions which endanger property by fire or natural causes such as avalanche and flooding, the presence of deteriorating structures which include public or recreational facilities; a lack of affordable commercial space, stalled population growth at 8000, and substantial economic underdevelopment within the city, all substantially impairing or arresting the sound growth of the city and constituting an economic and social liability and a menace to the public health, safety, morals and welfare in its present condition.

NOW, THEREFORE, BE IT RESOLVED BY THE HAILEY CITY COUNCIL AS FOLLOWS:

1. The Hailey City Council does hereby find that:
 - a) One or more deteriorated or deteriorating areas as defined in the Idaho Urban Renewal Law exist in the City of Hailey, Idaho;
 - b) The rehabilitation, conservation, redevelopment, or a combination thereof, of such area or areas is necessary in the interest of the public health, safety, morals, or welfare of the residents of the City of Hailey, Idaho; and
 - c) There is a need for an urban renewal agency to function in the City of Hailey, Idaho.

2. The Mayor, with the advice and consent of the City Council, shall appoint a Board of Commissioners of the urban renewal agency for this municipality which such agency shall hereafter be known as Urban Renewal Agency of Hailey, Idaho, in the method and manner as provided in said Idaho Urban Renewal Law.

ADOPTED BY THE CITY COUNCIL this ____ day of January, 2010.

SIGNED BY THE MAYOR this ____ day of _____, 2010

Rick Davis, Mayor

Mary Cone, City Clerk

Tax Increment Financing

Introduction

With the passage of the Local Economic Development Act in 1988, the Idaho legislature authorized the use of revenue allocation (or tax increment) financing for urban renewal agencies and competitively disadvantaged border communities. Tax increment financing is a popular method of financing improvements for urban renewal and economic development. When a revenue allocation area is formed, the county assessor establishes the current value for property in the area (referred to as the "base" value). Over time, public and private investment in the area causes property values to increase. This increase over the base value is referred to as the "increment," and the property tax revenues generated by the increment are shared by the urban renewal agency and the school district.

A number of Idaho cities have used tax increment financing to revitalize their community and enhance economic development. This section will detail the necessary steps for successful use of tax increment financing, from creation of the urban renewal agency to financing urban renewal projects (the process for creation of a competitively disadvantaged border community is virtually the same).

1. Plan for the Creation of an Urban Renewal Agency

The first step in the planning process is to determine which areas are to be considered for urban renewal. These areas must meet the requirements of Idaho Code 50-2018, which defines an "urban renewal area" as "a deteriorated or a deteriorating area" designated by the local governing body (City Council or County Commission) as appropriate for urban renewal projects. Deteriorating areas may be distinguished by the following characteristics:

- Deteriorating structures.
- Defective or inadequate street layout. ✓
- Faulty lot layout in relation to size, adequacy, accessibility or usefulness.
- Unsafe or unsanitary conditions.
- Deterioration of site or other improvements. ✓
- Diversity of ownership.
- Tax or special assessment delinquency exceeding the fair value of the land.
- Defective or unusual conditions of title



House Bill 653, passed by the 2002 Idaho legislature, confirms that urban renewal agencies are subject to the public records law, open meetings law, competitive bid law and ethics in government law. The legislation also clarifies that urban renewal agencies have the same fiscal year as cities (October 1-September 30), are subject to the same audit requirements as cities, and that agencies are required to file a budget with the governing body. The legislation also specifies procedures for closing out an urban renewal agency.

independent body politic and it is important that its composition is independent from that of the local governing body.

Commissioners may not receive pay for their services, however, board members may be reimbursed for necessary expenses (including travel) incurred in the discharge of their duties. The board may employ an executive director, technical experts and other employees as necessary, and determine their qualifications, duties and compensation. The urban renewal statute also includes specific prohibitions on conflicts of interest by agency commissioners and staff as well as city/county elected officials and staff (Idaho Code 50-2017).

The powers of urban renewal agencies are prescribed by statute. Idaho Code 50-2007 provides a broad grant of authority, including the ability to:

- Carry out urban renewal projects and related activities.
- Make and execute contracts.
- Construct or reconstruct streets, utilities, parks, playgrounds, off-street parking facilities, public facilities, other buildings or public improvements, and any improvements necessary or incidental to a redevelopment project.
- Purchase real or personal property.
- Borrow money and apply for and accept grants, contributions and any other form of financial assistance from any public or private source.
- Issue bonds to finance projects (interest is exempt from federal income taxes).

Step 4: Prepare the Urban Renewal/Revenue Allocation Plans

Before urban renewal projects may be undertaken, a plan must be approved by the governing body, setting forth the planned improvements. The plan may be prepared by the agency, or the agency may select an individual or a public or private entity to draft the plan. The urban renewal plan may be coordinated with a plan for revenue allocation financing, which must include:

- The kind, number and location of all proposed public works or improvements within the revenue allocation area.
- An economic feasibility study.

Step 6: Public Hearing and Adoption of Urban Renewal/Revenue Allocation Plan

Prior to enactment of the urban renewal plan, the local governing body is required to hold a public hearing. Notice of the hearing must be published in a newspaper of general circulation.



Contents of Notice of Public Hearing on Adoption of the Urban Renewal Plan

1. The date, time, place and purpose of the hearing.
2. A general description of the urban renewal plan, including the urban renewal area, and the general scope of the plan under consideration.

The only exception to the requirement for public notice, hearing and adoption of an urban renewal plan prior to planning or conducting urban renewal projects is in the instance of a natural disaster, for which the governor has certified the need for federal disaster assistance.

There are also special notice requirements for creation of the revenue allocation area. The governing body is required to give notice: (1) that a revenue allocation area is being considered, which will cause property taxes resulting from any increases in equalized assessed valuation to be allocated to the urban renewal agency; (2) that an agreement on administration of the revenue allocation financing provision extending beyond the municipal boundaries has been formalized by a transfer of power ordinance adopted by the county; and (3) that a public hearing on the plan will be held by the governing body pursuant to Idaho Code 50-2008(c), stating the date, time, and place of the hearing. At least 30, but not more than 60 days prior to the date set for final reading of the ordinance, the local governing body must publish the notice in a newspaper of general circulation, and send a copy of the notice, with a copy of the plan and recommendations of the urban renewal agency to the governing body of each taxing district within the proposed revenue allocation area.

Following the hearing, the governing body may proceed to adopt the plan, and must make the following findings:

outmoded street patterns, deterioration of site, economic disuse, unsuitable topography or faulty lot layouts, the need for the correlation of streets and traffic requirements of the area with other areas of the City, or any combination of factors or conditions which retard development.

Step 7: Transmit Documents

After the effective date of the ordinance establishing the revenue allocation area, the clerk must transmit to the county auditor and tax assessor of the county in which the revenue allocation area is located, to the affected taxing districts, and to the state tax commission, a copy of the revenue allocation ordinance, the legal descriptions of the boundaries of the revenue allocation area and a map indicating the boundaries of the revenue allocation area. For revenue allocation areas extending outside the limits of the city, the city must include a copy of the transfer of powers ordinance adopted by the cooperating county under section 50-2906(3)(b), Idaho Code.

Step 8: Financing Urban Renewal Projects

Idaho Code 50-2007(h) empowers urban renewal agencies to “borrow money and apply for and accept advances, loans, grants, contributions and any other form of financial assistance from the federal government, the state, county or other public body, or from any sources, public or private, for the purposes of this act.” Urban renewal agencies are also authorized to use tax-increment financing (described in Idaho Code as “revenue allocation”) to pay for urban renewal projects. Revenue allocation is a seemingly complex process, but is easily explained in the example on the following page.

Urban renewal agencies have the statutory authority to issue bonds to finance projects. Idaho Code 50-2012 provides that “an urban renewal agency shall have power to issue bonds from time to time in its discretion to finance the undertaking of any urban renewal project. Such bonds shall be made solely from the income, proceeds, and revenues, and funds of the urban renewal agency.” Bonds issued under the Local Economic Development Act are payable solely from a special fund of revenue allocation revenues. Bonds issued by the urban renewal agency are not considered a debt of the city or county, do not constitute an “indebtedness” within the meaning of Article VIII, Section III of the Idaho Constitution, and interest on such bonds is exempt from federal income taxation.