

**DATE:** January 13, 2015

**ITEM:** 8.B.

**RE:** Transition Plan and Tax Increment/Loan Program Policy for the Sugar House Project Area.

**PROJECT AREA:** Sugar House

**PREPARED BY:** Edward Butterfield

**EXECUTIVE SUMMARY:** Staff has created a transition plan (Attachment A) for the Sugar House project area (the "Project Area") based on the Board's request at the December meeting. The plan highlights the RDA's current role in projects and the agency or group that will continue managing the projects once the RDA exits the area.

Also, the Board requested staff provide a policy recommendation on the continuation of the RDA loan and tax increment reimbursement programs in Sugar House. Staff is recommending that the RDA discontinue the programs. Additional details are available in the Analysis and Issues section of the memo. The Board would need to pass a motion approving any policy changes to the administration of RDA programs in Sugar House. The program policy would be added to the Sugar House Strategic Plan as an amendment.

**ALTERNATIVES:** 1) Approve a program policy to discontinue the RDA's tax increment and loan programs in the Sugar House Project Area.  
2) Approve a program policy to continue the RDA's tax increment and loan programs in the Sugar House Project Area for tax years 2015 and 2016.

**ANALYSIS AND ISSUES:** Staff is recommending the Board set a policy to discontinue the RDA's tax increment reimbursement and loan programs in the Project Area. An analysis supporting the recommendation is provided below.

Tax Increment Reimbursement Program - The RDA will have no excess increment available to disburse to a property owner based on the terms of the Interlocal Agreement extending the Project Area. The RDA is required to disburse 95% of all tax increment collected in the Project Area directly to the Salt Lake City taxing entities. The remaining 5% of tax increment will be used by the RDA to cover administrative costs to complete outstanding projects.

Loan Programs -

- *Lender-of-Last Resort:* The RDA loan program criteria require a potential borrower to demonstrate the traditional lending institutions will not provide financing for their projects.

This usually occurs in areas where the market has not been tested or is viewed as too risky for traditional lenders. The Sugar House area has seen a surge of new development, catalyzed by previous RDA loans totaling more than \$16 million, and now has an established market for retail, office, and rental products. In addition, recent developments like the Wilmington Gardens project have been financed 100% by private lenders. Based on these factors, staff believes that additional RDA lending activity is not required to continue the development momentum in Sugar House.

- *Project Development Timeline:* Large and medium-sized projects can take more than two years to complete starting from ground breaking to occupancy. This creates a scenario where the RDA could still be disbursing loan funds after the Project Area expires in 2016 and incur administrative costs. It would be preferable to allocate administrative resources to active project areas.
- *Limited Availability of Loan Funds:* The RDA has lent over \$16.6 million since the Project Area's creation in 1986 with most of the lending activity occurring in the last four years. In addition, with high demand on the limited resources of the Revolving Loan Fund, it is recommended to prioritize loan resources to other project areas by discontinuing lending activities in the Project Area.
- *Capture of Tax Increment from New Development:* The RDA would capture limited, if any, additional tax increment created from new development facilitated by RDA loans because of the short period of time left in the Project Area. A key benefit of the RDA loan program is to receive a return on investment from the lending activities through increased tax increment. This benefit is removed in the Sugar House Project Area.

**BACKGROUND:** The Project Area was initially created in 1986 with the first tax increment paid in 1988. The Project Area boundaries are from approximately 900 East to 1300 East and I-80 to 1090 South. The adopted Project Area Plan describes development objectives that include the establishment of the visible image of the Sugar House Business District as a unique place, the elimination of physical and economic blight, and the creation of a walkable community.

The RDA Board approved a resolution in December 2014 to enter into an Interlocal Agreement with the Salt Lake City taxing entities to extend the Project Area for an additional two years. The RDA will continue to collect 60% of the Project Area tax increment for tax years 2015 and 2016, and pay the Salt Lake City taxing entities 95% of their applicable shares of the tax increment with 5% reserved for RDA administration costs.

**ATTACHMENTS:** A) Sugar House Transition Plan

# Sugar House Transition Plan

## Project: Former Deseret Industries (D.I.) Site Maintenance and Redevelopment

Location: 2234 South Highland Drive

Status as of January 2015: The RDA is working with the Friends of the S-Line to schedule events in the D.I. parking lot as part of the lighter, quicker, cheaper program. In addition, the RDA is in discussion with a potential temporary tenant to lease the D.I. building on a short-term basis. The RDA is also coordinating with the Property Management division on the potential purchase of the existing fire station site to combine with the D.I. site.

Financial Commitment: There will be on-going maintenance costs associated with the site.



Sugarmont Plaza mural

RDA Roles/Responsibilities: The RDA will need to create a reuse plan for the site in collaboration with the Board, city staff, stakeholders and the Sugar House community.

Long-term Management: The D.I. and fire station properties, in combination, provide an opportunity to meet several of the Sugar House Master Plan goals and other City initiatives that include the: realignment of Sugarmont and Wilmington avenues; improved access from Highland Drive to Fairmont Park; provide a connection for Parley's Trail through the Sugar House business district; transit-oriented development on the S-Line; assist with the phase 2 extension of the streetcar; and, provide affordable housing. The RDA will work with other City divisions to address these goals through the redevelopment of the property.

## Project: Sugar House Monument Plaza Renovation

Location: 2100 South Highland Drive

Status as of January 2015: Substantial construction will be done by the end of January. Additional work will need to be completed on the two water features in spring of 2015.

Financial Commitment: The RDA has budgeted \$2.7 million for the renovation project. All funds will be expended by the summer of 2015 the project.



Construction on the Sugar House Monument Plaza



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**RDA Roles/Responsibilities:** The RDA staff will manage the one-year warranty period with Acme Construction, the project contractor. The warranty will expire in spring of 2016. In the interim period, the RDA will coordinate with City agencies on the new management features for the Plaza.

**Long-term Management:** The Facilities division of Public Services will oversee the maintenance and capital improvements for the Monument Plaza as part of its on-going responsibilities in the Sugar House business district. In addition, the Special Events division of Public Services will coordinate the scheduling of the Plaza space for community events. In addition, the Property Management division of the Community and Economic Development Department is in charge of patio leases to the adjacent restaurants. Public Utilities will also maintain a presence on the Plaza to access the Salt Lake/Jordan canal and other underground utilities.

### **Project: Mid-Block portion of the Monument Plaza**

**Location:** 1070 East 2100 South Between the new Sugar House Crossing development (east side) and the Rockwood Furniture building (west side)

**Status as of January 2015:** The relocation of the Salt Lake/Jordan canal by Public Utilities and surface improvements by the RDA are complete. The RDA purchased the property in 2012 with the objective of deeding the property to Salt Lake City Corporation as part of the Monument Plaza open space.

**Financial Commitment:** The RDA has no additional financial commitments for the project.

**RDA Roles/Responsibilities:** The RDA still needs to deed the property to Salt Lake City Corporation.

**Long-term Management:** The mid-block property will be managed as part of the Monument Plaza with the Facilities division managing any maintenance related items and the Property Management division overseeing patio leases to adjacent restraints. In addition, Public Utilities will maintain the section of the Salt Lake/Jordan canal that bisects the property.



Paseo under construction



# Sugar House Transition Plan

## Project: The S-Line greenway/streetcar

**Location:** The Salt Lake City portion of the S-Line is located at approximately 2150 South and runs east-to-west from 1050 East to 500 East.

**Status as of January 2015:** Stacey Witbeck, the S-Line contractor, has completed all landscape and hard service improvements for the project in addition to the streetcar facilities construction.

**Financial Commitment:** The RDA has disbursed all funds allocated to the greenway and streetcar project. The RDA has committed funds to constructing ADA accessible ramps to the S-Line at 1000 East and Lincoln Street in Sugar House.

**RDA Roles/Responsibilities:** The RDA is working with the Salt Lake City Engineering division on managing a one-year warranty agreement with Stacey Witbeck for the greenway improvements. The warranty will expire in October 2015. In addition, the RDA is working with Engineering to construct ADA access ramps at 1000 East and Lincoln Street to the S-Line. The project is expected to be complete by the summer of 2015.

The RDA is also working with Friends of the S-Line to create programs that will support the use of the corridor including educational, and maintenance efforts.

**Long-term Management:** The greenway portion of the S-Line will be maintained by the Facilities division with Salt Lake County also participating in the maintenance of the Parley's Trail section. UTA is responsible for the track portion of the S-line including streetcar stops. In addition, a management committee composed of representatives from Salt Lake City Transportation, Facilities and the RDA with South Salt Lake, Salt Lake County and UTA officials will meet quarterly to coordinate the regulation and maintenance of the corridor. The Friends of the S-Line will also be a key-stakeholder in the success of the corridor through community involvement and oversight.



S-Line and Streetcar & Greenway



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## Project: Wilmington Gardens

Location: 1201 East Wilmington Avenue

Status as of January 2015: The Wilmington Gardens development is nearing completion with expected occupancy in summer of 2015. Construction on the parking garage and ancillary development on the south side of Wilmington Avenue has commenced.

Financial Commitment: The RDA has no additional financial commitments for the project.

RDA Roles/Responsibilities: The Woodbury Corporation, the developer of Wilmington Gardens, must construct at least 107 stalls on the south side of Wilmington Avenue as a condition of the sale of the RDA property. The RDA will monitor the progress of the south side development to guarantee all of the conditions of the property sale are met.

Long-term Management: The RDA will continue to track the progress of the Wilmington Gardens development as it is leased and the construction of the south side development. The RDA is also working with the adjacent property owners on the implementation of the Sugar House Circulation Plan and identifying potential routes for the Parley's trail as it crossed through the Sugar House business district.



Wilmington Gardens Site Fall 2014

## Project: Outstanding RDA Loans

Location: The RDA has three outstanding loans for the Sugar House Crossing, 2100 South Sugar House, and Westminster on the Draw developments all located in the Sugar House business district.

Status as of January 2015: Loan funds have been disbursed and loan payments are current.

Financial Commitment: The RDA has no additional financial commitments.

RDA Roles/Responsibilities: The RDA oversees the repayment of principal and interest from the loans.

Long-term Management: The three outstanding loans will mature at different times with all of the repaid in ten years.



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