

(2.15.2019)

Victor Urban Renewal Agency (VURA)

2018 Annual Report

(January 1, 2018 – December 31, 2018)

VURA Board—Thomas Clark, Chairperson, and Barbara Dery, Vice Chairperson. Commissioners: Lance Pitman, Leandra Brush Cisneros, Jason Borbet, and Zachary Smith.

VURA Administrator—Erin Gaffney

Additional City Staff Support--Herb Heimerl, City Attorney; Robert Heuseveldt, City Engineer; Josh Wilson, Victor P&Z Administrator; Joanna Burkhart, City Treasurer; and Olivia Goodale, City Administrator.

The Annual Report

Pursuant to Idaho Code Section 50-2006, an urban renewal agency is required to file with the local governing body, on or before March 31 of each year, a report of its activities for the preceding calendar year. VURA's fiscal year, and Victor's as well is October 1 to September 30. VURA maintains its own Bylaws, approved in 2017, and complies with standard records retention guidelines. This Report is to include a complete financial statement setting forth the Agency's assets, liabilities, income and operating expense at the end of the calendar year.

2018 in Brief

ADMINISTRATIVE ACTIONS AND ACCOMPLISHMENTS

The calendar year 2018 was VURA's third following formal Council approval of the Urban Renewal Area otherwise known as the Revenue Allocation Area (RAA) (i.e. Tax Increment Financing, or "TIF", District) on December 9, 2015. This Area is a fraction of the entire "Eligibility" Area that was identified prior to the creation of the Plan. Certain maps equate this reduced Eligibility Area with the RAA, though once established the "RAA" is the proper designation for the area. In truth, "RAA" is a misnomer inasmuch as while tax revenues generated within this area are largely expendable only within the RAA, there is one exception. This is when growth within the RAA requires additional water or sewer capacity that can only be supplied through infrastructural investments outside the RAA itself.

VURA, in 2018, has maintained a cordial and constructive working relationship with the City of Victor, grounded in the operating protocols established in 2016. Erin Gaffney serves as VURA Administrator.

She is responsible for comprehensive monitoring of all VURA activities, while maintaining proper documentation of VURA agendas, minutes, and budgetary reports.

BOARD MEMBERSHIP, AND STAFF AND CONTRACT SUPPORT

Cynthia Rose served as VURA Administrator during 2016-17. Upon her resignation Erin Gaffney elected to resign from the Board in order to accept appointment as Cynthia's successor. Thereafter three new appointments to the Board were announced by Council: Brush-Cisneros, Borbet and Dery. Jeff Potter served as VURA's original Chairperson, succeeded by Tom Clark who sought the services of Lance Pittman as Co-Chairperson. Will Frohlich, who served as Vice Chair, under Jeff Potter, resigned in in 2017. During 2018 Lance Pitman opted to step down as Co-Chairperson but to remain on the Board. Barbara Dery then accepted appointment by the Board as Vice Chairperson.

The VURA financial management system, independent of the City, is now fully operational, overseen by Administrator Gaffney, and assisted by the CPA firm of Chirop and Colyer, in Driggs.

VURA ACTIONS

VURA has made significant strides during 2018 in pursuit of objectives established in the Victor Urban Renewal Plan approved on December 9, 2015. This Plan, pursuant to Idaho Statutes 50-2903 (13a-i), envisages a variety of involvements that remedy past shortcomings in the urban fabric while initiating activities that can put the City on a path towards sustainable growth.

Laying out this path has been a collective effort. First came the Community Action Plan in 2003. A Comprehensive Plan followed in 2006. In that same year an EPA Smart Growth Technical Assistance Grant was secured. Then, during 2008-10, Victor embraced the Orton Family Foundation's Heart and Soul planning process that yielded a general vision for growth and change. Implementation of this vision would have to wait due to the national recession of 2007-9 and its local aftermath. The effort was a partnership combining the efforts of the City, Valley Advocates for Responsible Development (VARD) and Teton Valley Trails and Pathways (TVTAP).

In the meantime conditions and opportunities moved in new directions. Certain elements of this vision found their way into the 2015 Comprehensive Plan. Subsequently the City applied for and received a transportation planning grant from New Mobility West (NMW) resulting in a three-day charrette in September 2016 that elicited the participation of residents as well as City and VURA staff. This charrette and the NMW Report that followed carried forward many of the objectives originating in prior planning efforts. Five catalyst projects were its upshot. These continue to inform the mix of projects VURA has pursued so far. These will continue to influence the VURA investment agenda.

New Mobility West Priorities: Five Initiatives

The NMW proposal resulted ultimately in a priority list of five critical initiatives. Each of these, it was surmised, would provoke ancillary developments, leveraging growth throughout the City. These five, available on the City's web site, included (1) alleyway improvements, (2) invigorating the Depot district, (3) intersection improvements at Dogwood and Main, (4) elementary school reuse, and (5) the

smoothing of traffic flow at the Cedron/Aspen and Highway 33 intersection. Of these the first three won almost immediate attention. The fourth could only have gone forward if a replacement school were to be built, now a certainty following passage of the November, 2018 School Bond Issue. But lacking a financial plan and considerably more strategizing this remained on the back-burner in 2018. The fifth remains dependent on further negotiations involving the Idaho Department of Transportation.

Subsequent to the NMW event VURA representatives joined City representatives in October 2016 at the Community Builder's Community Mobility Institute leading to the creation of *Victor Placemakers*, a loose assemblage of citizens and public employees determined to enliven the City through the staging of events such as the "Snow Park", and creation of a play area for children to pursue winter-time activities off Main Street. Also of note, Placemakers recently secured private financing for a 264-square-foot mural on the main stage in Victor City Park. Beyond serving as the backdrop for our City's popular *Music on Main* series, it has become a local landmark, a stop for travelers headed to Grand Targhee and other area destinations. The Placemakers are currently making plans for a public outdoor *games park* on Main Street, with an anticipated launch date of June/July 2019. This group is also pursuing a second phase in the local development of public art, and planning another round of fundraising to beautify the north side of the new Victor pharmacy/clinic building with the work of local artistic luminary, Mark Fisher, of Fisher Creative.

VURA encourages such community initiatives which advance outside the reach of VURA's statutory authority. Details of the three currently viable projects follow.

1. Alleyways and Super Blocks

The alleyways were VURA's most important priority in 2018. Breaking up the so-called "super-block" north of Dogwood and west of Main held out the greatest potential. Doing so VURA supposed, would (1) heighten the development potential of the more inaccessible portion of this super-block's interior, (2) improve service access for the businesses between the alley and West Center Street (Highway 31), and (3) enable easier passage for fire trucks.

2. The Depot District

The second of the NMW initiatives, concerning the Depot District, will require the involvement of several parties. But VURA's future role, if any, is yet to be determined. A host of possibilities exists. Thus far interest has been intermittent though the City has already undertaken major important investments that position this space for further development in interesting ways that could energize surrounding blocks. Responding in part to the NMW process one regional transit terminal has been relocated to the Depot from its prior Dogwood site, giving the area a small but constructive boost. VURA stands ready to encourage further thinking about this area and believes that significant strides could be achieved even in the shorter-term. This space's proximity to Main and Center, and its iconic historical significance argue for a more concerted effort here. Located at the convergence of open space, parking, and mixed use potential, VURA hopes more can be done to capitalize on this robust convergence of past and future.

3. The Dogwood/Main Intersection

The third of the NMW initiatives was initially crafted simply to enhance the Dogwood/Main intersection with street bulb-outs on Main in order to calm traffic, and to facilitate east-west connectivity across Main. Completion of the Cobblestone Hotel, of course, has enabled the City to address certain of our initial concerns at this intersection.

4. Other Ventures

A Business Improvement District (BID) stands as one important prospect, one not explicitly designated in the NMW process, but one that could be instrumental in creating a business culture supportive of downtown improvements in general. VURA stands ready to explore such a venture and will, subject to Board approval, advocate for establishment of a BID at the appropriate time. Another institutional innovation that VURA supports would be the establishment of design standards for new downtown development. These would require Council action and help to ensure high quality development. Still another such prospect would be the “undergrounding” of power lines running north-south west of Main, south of Birch. Initial explorations with Fall River REC indicate such an effort might cost between \$1 and \$2 million, though a firm estimate would require an engineering study that itself would require capital not currently available. It is not clear at this point that this prospect would rise above other pressing City needs. Overall, prioritization of infrastructural investments would benefit from the development of an overall Capital Improvements Program (CIP) for the City.

FISCAL OUTLOOK FOR CALENDAR YEAR 2019

The Cobblestone Hotel. The Cobblestone Hotel opened in late 2018. It underwent an appraisal by the County Appraiser’s Office in the fall of 2018, prior to its completion resulting in a valuation anticipated to be around 50% of the value of the completed hotel, or approximately \$2,472,000. We will not receive a final valuation until May 2019. Given that the original valuation of the land on which the hotel sits was \$84,000, the appreciated TIF increment above base would be \$2,383,000. Applying the appropriate aggregate property tax rate to this increment of approximately .00684425, yields annual TIF revenue from the hotel alone of approximately \$16,344 per annum. This is less than had been anticipated given that the hotel developers were thought to have invested around \$4.6 million in the project, however, some portion of this expense would have been associated with personal as opposed to real property, that is, furnishings and the like. TIF revenue arises from appreciation above base in both real and personal property however it is unlikely that taxation of personal property will significantly increase the TIF revenue generated by the hotel. This is because the first \$100,000 of personal property is exempt, and individual items are only taxable if their individual values exceed \$3,000. While VURA worked extensively with Hotel representatives, most notably Tim Shefchik, to bring the Cobblestone to Victor, VURA in the end made no financial commitments whatsoever to induce the Hotel’s development.

The Alleyway Project. The objective of this project was to break up the so-called Super Block so named in the New Mobility West Study. Enabling interior access has directly leveraged several significant new housing projects and the TIF revenue generated by these and any to follow, will be applied by VURA to retire its debt to the City which first fronted the expenses incurred to build the alleyway, working with both the West Group and the Sea Cow developers. Their developments reside within Lots 5-8 of Block 11.

The Overall Fiscal Outlook. County appraisals of new residential and commercial development have apparently not yet been completed. This would include Block 11 improvements, the new clinic/pharmacy, and other projects in the City. The total assessed value of real plus personal property in the Revenue Allocation Area in 2018, exclusive of these just-noted major developments, was approximately **\$14,770,763**. Comparing this figure against the base value of these same properties of **\$9,314,767** yields an incremental value above base of \$5,455,996. Applying the appropriate tax rate to this increment of **.00684425** yields an estimate of annual TIF revenue of approximately **\$37,000**. If we were to augment this figure by the minimum revenue generated by the hotel of **\$16,344**, and an additional sum for the clinic/pharmacy plus new residential of perhaps **\$30,000** (an estimate), the total annual TIF increment in the RAA might be around **\$83,000**. Over 17 future years—the remaining years in the life of the current (and only) Urban Renewal Area—the total TIF revenue would amount to **\$1,416,848**.

Lastly, if the annual total TIF revenue were to appreciate at an **annual rate of 2%** as a result of upward valuations of extant properties plus new growth, the annual TIF revenue generated during the last year of the first (and currently only) TIF District in Victor would amount to approximately **\$116,200**, or around **40% more than in 2019**. An overall annual rate of appreciation of 2% on an initial level of TIF revenue in 2019 would yield a total value of TIF revenue summed over 17 years of around **\$1,700,000**. Finally, VURA will under any eventuality, generate revenue to be expended in Victor that is about **twice** as much as would have been generated by all the properties within the current Revenue Allocation Area. This is because VURA captures a portion of revenues generated that would otherwise be expended by entities serving the entire county. Schools are not affected.

VURA's Current Obligation to the City in Summary. In 2016 the City afforded VURA a loan of **\$18,000** to assist its establishment, to be repaid in ensuing years as VURA's own TIF District revenues would begin to flow into its coffers. A further loan of **\$15,000** brought VURA's obligation up to **\$33,000**. Subsequently VURA entered into an agreement with the City to cover a major portion of the expense incurred by the City to construct the alleyway, running north of but parallel to South Dogwood. The portion of this alley associated with the West Group housing project tallied **\$167,184**, and that for the Sea Cow housing project, **\$74,814**. VURA's initial loan from the City, combined with these alley expenditures yield a total current obligation from VURA to the City of **\$274,998**. VURA will apply the TIF revenues generated by projects directly associated with and leveraged by the alley in accord with this contractual provision: "All TIF revenue that is generated from real property tax payments for improvements to the property immediately adjacent to the Project, which improvements would not otherwise have been constructed had the project not been undertaken." These leveraged projects will reside entirely within Lots 5-8 of Block 11. Extant properties not the subjects of new "projects" will factor into the overall TIF increment in this Block.

Under its second amended contract with the City, VURA will commence payments to the City starting **one year after the alleyway's completion (on September 1, 2019)**. During the **first ten years** from this start date VURA will pay the City 40% of the TIF revenue generated by growth "**directly attributable**" to the alleyway's presence. In the **11th year** VURA will pay the City half of its current cash reserve cumulatively generated by **these involved properties in Block 11**, not to exceed its full obligation. From the **12th year** forward VURA will pay the City **25%** of VURA's total cash reserve accumulated and not otherwise dedicated, from **the entirety of the Revenue Allocation (TIF) Area**. Given the favorable revenue prospects for VURA's first RAA over the next 17 years there is little doubt that VURA will be able

to retire its full current obligation to the City of \$274,998. Further, **0.5% interest per annum** is to be paid on outstanding balances. **The initial City loan to VURA of \$33,000 commenced July 20, 2016. The Alley project would accrue interest commencing one year after project completion.**

LOOKING AHEAD

VURA is committed to working in close collaboration with the Victor Council, and the City Staff in the years ahead. There appears to be interest in shaping a workable and coordinated planning and investment agenda during the first half of 2019. Updating the City's Comprehensive Plan, and insuring that the City's zoning ordinance+map, and its capital investment priorities are properly meshed with the updated Comp Plan should be a first priority.

Among actions VURA would be inclined to endorse would be a further fleshing out of the street grid, breaking up the remaining super blocks where possible, ensuring a proper scale and placement of essential infrastructures, and fostering affordable housing. But of all, doing everything possible to enhance the "look" and functionality of Main Street remains its top objective. This could entail commissioning a downtown design enhancement study, pursuit of a possible center roadway (Main Street, i.e. 33) median, providing shade structures for the summer months and appropriate landscaping, developing a unified downtown commercial pedestrian experience (plus trails, paths and associated open spaces), fostering a design sensibility for Main Street that honors our collective identity and ensuring harmonious development through infill and other means, and more.