

# **Digest of A PERFORMANCE AUDIT OF UTAH REDEVELOPMENT AGENCIES**

Utah's numerous redevelopment agencies are governed by the Utah Neighborhood Development Act (Utah Code 17A-2-1200). Since this piece of legislation was originally approved to aid communities in the removal and prevention of blight, the needs of Utah's cities and towns have changed. Along with the change in need, community use of the statute has also changed from its original intent. This change has been possible because the open wording of the statute has allowed liberal interpretations of the statute's components.

The variation in the use of the statute has resulted in a great deal of controversy over what should and should not be allowed. Much of this controversy was unanticipated. Redevelopment agencies (RDAs) competing for development opportunities, vacant land being labeled as blighted, communities aggressively seeking retail rather than industrial applications, and multiple, contiguous project sites were all unanticipated and unintended offshoots of the statute.

The following briefly describe the most significant areas reviewed for this report.

**RDA Use Conflicts with the Intent of the Statute.** Use of the Neighborhood Development Act for economic development of communities is not the intent of the statute. Current use, while within the open wording of the statute, has created controversy and conflict. Competition between RDAs operating as true redevelopment agencies and RDAs operating as economic development agencies places the former at a distinct disadvantage. Blight criteria becomes almost unnecessary but is expensive to collect. Eminent domain is used for community tax base gains rather than the elimination of true blight. A separation of statutes may be in order.

**Redevelopment Funding Affects Other Taxing Districts.** Funding for redevelopment primarily depends on the expected property tax gains created by RDA-initiated projects. Property taxes, however, are usually the domain of school programs and other specific taxing entities. When RDAs take property taxes as allowed in tax increment financing (TIF), other taxing entities suffer. When TIF is generated as a result of redevelopment it is accepted by the other taxing entities as the cost to get the community economically stable. When TIF is used for economic development it is viewed as unacceptable because the other taxing entities see no proven benefit, just a loss of funding. Much of this controversy could be eliminated by requiring RDA proof of need and project review by other taxing entities.

**RDAs Have Unnecessarily Poor Relations with Property Owners.** RDAs, at times, exercise their statutory power of eminent domain to acquire property for their projects. The displacement of property owners frequently results in poor relations and conflict because property owners do not fully understand the RDA process and their rights. While RDAs have trained staff familiar with the statute, most property owners have little or no expertise and thus feel mismatched. A possible solution would be to require RDA to present property owners with a document which in simple terms explains owner rights and the RDA process outlined by the Utah Code.

RDA Policy Oversight May Be Lacking. Day-to-day oversight of RDA operations appears to be adequate. Policy oversight, the ability to affect goals and objectives, however, is lacking. Policy oversight is primarily left to the community council operating as the RDA board. Beyond that, the only policy control over RDAs is legislatively through the statute. The result of the existing oversight system is the controversy now surrounding RDAs. A possible avenue to reducing this problem is stricter code wording that includes a requirement for project need analysis.