



City Council Staff Report

Subject: Deer Valley Request
Authors: Jed Briggs
Department: Budget Department
Date: November 21, 2024

Summary Recommendation:

Review a request from Deer Valley Resort to create a Public Infrastructure District (PID) and a Community Reinvestment Agency (CRA).

By reference, the PID request is pursuant to the [Letter of Intent \(LOI\)](#) agreed to by PCMC and Deer Valley Resort on Dec. 14, 2023.

Background:

In general, the LOI between Park City and Deer Valley Resort provides a roadmap to further support the City's top two priorities: transportation and housing. The framework of the partnership includes but is not limited to:

- \$15 million from Deer Valley (with an equal match from Park City) to Park City to help create and support a regional transportation facility or affordable housing as a secondary use;
- Capping day skier parking to 1,360 (1,971 total), which is aimed at improving traffic and congestion;
- A gondola transportation network connecting the DV East base area off U.S. 40 to the Snow Park base area in Park City; and
- Allowing DVR to create a PID to self-assess an additional property tax mill levy on DVR properties within the project area to finance public infrastructure.

The request to create a CRA is not included in the LOI, yet will be presented by DVR as a supplemental financial strategy.

Overall Analysis:

Municipalities in Utah and around the country employ various public finance tools to support or incentivize certain types of economic development and/or redevelopment. Although common in other states and other areas in Utah, additional public financial tools have not been created in Park City in several years.

Utah State Code gives cities the power to create PIDs through a vote of the legislative body. RDA/CRA project areas are created through the RDA board, which under state law is the legislative body.

For a PID, property owners and registered voters (who live in the project area) initiate the creation through a petition. DVR, or the developer (and the property owner), seeks to initiate the PID request and issue tax-exempt bonds repayable from an additional property tax within a defined development or project area.

In comparison, a CRA redirects increases in property tax revenue (called “tax increment”) away from participating taxing entities and redistributes the tax increment back into the development/project area or into other areas allowed by law.

Deer Valley PID Request

DVR requests the City Council authorize a PID or multiple PIDs as contemplated in the LOI following their development strategy. The LOI states:

Subject to the future legislative authority of City Council, public infrastructure districts will be authorized to allow DVR to impose assessments or mill levies on its own DVR property to finance public infrastructure including roads, intersections, transportation, parking structures, utilities and other qualifying improvements.

As a result, DVR seeks City Council’s consideration to adopt a PID Governing Document, which allows:

- 1) Three PIDs in the Snow Park development area to finance the construction of public improvements;
- 2) Each PID would have small initial boundaries but the ability to annex into any portion of the 23.33-acre parcel;
- 3) The ability to use up to 15 mills (max allowed);
 - a. DVR stated they plan less than the maximum allowed;
 - b. There may be difference in rates between residential vs. commercial taxable portions;
- 4) Requesting to have no total debt issuance limitation, but intending to identify approved uses;
- 5) No specific public improvements are outlined in the draft Governing Document, specificity can be added if needed;
 - a. DVR stated they plan to pay for the transit center and public portions of their parking garages;
- 6) Each PID shall have a Board with five Trustees approved through a process confirmed by Park City Council in the Governing Document, each for 4-year staggered terms.

PID Basics

[The City Council held a Public Financing Tools 101 on Sept. 5, 2024.](#) As stated, PIDs typically:

- PIDs are local districts and constitute an independent political subdivision; they are not financially tied to the City;
- Debt issued by PIDs is not a liability of the City, so PID debt is a non-balance sheet item;
- Debt is repaid primarily from a Limited Property Tax or Assessments imposed by the PID on property located within the PID boundary;
- Formation requires a petition signed by 100% of property owners and registered voters within the PID boundaries. If there is only one landowner at the time of creation, which is our case at DVR, that landowner will petition to create the PID. Future property owners could bear the cost of additional tax levies and assessments;
- DVR is also contemplating the use of a Public Improvement Fee (PIF), this is a private fee (not authorized by cities) that is collected by businesses on sales transactions; and
- PIDs have relatively broad powers to finance public infrastructure, generally including any improvement that the PID or the City owns.

Here are some additional references to [Utah PIDS](#).

Property Tax Impacts

As stated, PIDs voluntarily increase the property tax rates on willing property owners to generate revenue to pay back the project-related debt. They do not require authorization from other taxing entities like an RDA/CRA. In addition to special assessment and standard general obligation bonds, Utah PIDs may issue limited tax-exempt bonds repaid from a limited ad valorem property tax not to exceed 15 mills (or any lower limit established in the Governing Document). One mill is equal to one dollar per \$1,000 of assessed value or $1/1,000 = 0.0001$.

Most of Park City's property tax rates are around 5.64 mills (residential and commercial). The mill rate represents the total combined property tax rate of all the taxing entities (Park City School District, Summit County, Park City Fire District, etc.). Property owners pay the increased property tax throughout the life of the PID. Authorizing entities typically weigh the potential impacts of having select property tax owners paying more in property taxes than others (i.e., equity concerns compared to other residents, ability to implement future GO bond projects, future property tax increases, etc.).

PID Formation and Governance

PIDs are formed similarly to local districts except for the additional consent requirement from 100% of property owners and voters within PID boundaries. When a newly proposed PID only has one landowner, such as the case with DVR, a governing board represents future property taxpayers, but this will change as more landowners purchase property.

The approval of the Governing Document creates the PIDs and may include limitations on the powers of the PID, such as:

- Board member term lengths and transition to elected board seats, including the possibility of divisions and interlinked PIDs for phases of development;
- Improvements that the City will allow the PID to finance (used in conjunction with the development agreement to finance improvements/benefits to property owner and City);
- Establish a mill rate limit appropriate to accomplish financing of approved improvements;
- Establish standards for general obligation bonding, procurement, PID lifespan, and dissolution if no activity within a specific timeframe, etc.;
- Input into any enhanced disclosure to future property owners;
- Proper legal tax analysis over all Governing Document negotiations to ensure eligibility for desired tax-exempt financing and that the PID constitutes a "separate political subdivision" for tax purposes; and
- Ability to leverage tax increment financing, assessment, and other economic development revenues.

Deer Valley CRA Project Area Request

Separate from the PID request, DVR requests:

- 1) A new CRA Project Area in Snow Park project area created by the City's Redevelopment Agency (RDA) to close a stated project funding gap of \$40M to support the new base area redevelopment;
 - a. \$40M for public facility benefits, such as multi-modal transit center, parking garage, etc.;
- 2) 80% of newly generated property tax increment for the next 25 years;

- a. Tax Increment Financing (TIF) would be used (new property taxes from project area pay for public infrastructure) from several taxing entities (PCMC, Summit County, PCSD, etc.);
 - b. Total tax increment (new property tax) redirected from PCMC is approximately \$1.5M/year for PCMC for 25 years; and
- 3) The tax increment is pledged to the new DVR PIDs to help pay the debt service on bonds issued by the new PIDs.

CRA Basics

- Redevelopment Agencies (RDAs) are political subdivisions of the state created by the legislative body of a county or municipality;
- Redevelopment Agencies are widespread in Utah (e.g., Salt Lake City, Provo, Orem, St. George, Moab, etc.)
- The governing board of an RDA is the current members of the legislative body;
- An RDA is authorized to create CRA project areas and use property tax increment (tax increment financing or TIF) from a project area to help pay for infrastructure improvements, affordable housing, or other development projects;
- RDA negotiates the amount of foregone tax increment through interlocal agreements with each taxing entity;
- Taxing entities could include Park City Municipal Corporation, Park City School District, Summit County, Park City Fire District, etc.

CRA Formation

The City has previously utilized two Redevelopment Agency (RDA) project areas that precede the DVR CRA request. The Park City RDA project areas were funded through property tax revenue derived from increased development growth within geographic boundaries. For Park City, the Main Street RDA project area has expired and no longer receives tax increment. The Lower Park RDA project area runs through 2030.

RDAs can create a CRA project area but cannot redistribute property tax increment without authorization from the other taxing entities. This authorization comes through an Interlocal Agreement (ILA) with each taxing entity and the RDA. Each taxing entity negotiates a percentage of tax increment and length of term they are comfortable with.

The City's RDA would need to authorize the Project Area before the ILAs between the taxing entities and the RDA could be executed. Frequently, each taxing entity collaborates prior to the creation of the Project Area to understand their willingness to collaborate and create a successful CRA construct and mutually beneficial outcomes.

Summary

DVR requests the City Council consider both a PID and CRA to help finance portions of the Snow Park base area redevelopment. We anticipate several meetings whereby DVR will walk the City Council and the public through the details of their proposal. Our outside financial consultant will also attend the public work session to assist and support City Council deliberations.

Department Review:

This report has been reviewed by the Budget, City Attorney's Office, and City Manager departments.

Exhibit A – DVR Presentation