



Staff Report

To: Summit County Council

From: Jeffrey B. Jones, AICP, Econ. Development Director

Re: Resolution No. 2019-30, Authorizing the submission of an Application for Designation as a Utah Enterprise Zone to the State of Utah.

Date: November 20, 2019

SUMMARY

The County Council shall consider authorizing the submission of an **Application for Designation as a Utah Enterprise Zone** to the State of Utah Governor's Office of Economic Development for an Enterprise Zone designation for all commercial, industrial, and agriculturally zoned properties within the unincorporated areas of Summit County, including all lands permitted for commercial uses by development agreement, special use permit, or other entitlement issued and in full-force by Summit County.

The State of Utah requires that prior to the establishment of an Enterprise Zone, a public hearing must be held. This meeting fulfills that requirement.

Adoption of this Resolution will allow the County to submit an application to the Governor's Office of Economic Development for Enterprise Zone consideration.

RECOMMENDATION:

The Economic Development Director recommends that:

1. County Council Adopt Resolution No. 2019-30, "A Resolution of the County Council of Summit County, Utah, authorizing the submission of an Application for Designation as a Utah Enterprise Zone to the State of Utah"

BACKGROUND/HISTORY

In 1988, the Utah House and Senate adopted legislation establishing an enterprise zone program for the State.

KEY CONSIDERATIONS

The State of Utah offers a limited number of business incentives to employers wanting to locate to or expand within the state. Thus, being a designated Enterprise Zone is an important tool for the County to use in its economic development efforts. The State of Utah requires that Enterprise Zones be renewed every five (5) years.

COMMUNITY BENEFITS AND CONSIDERATIONS

The primary goal of the Utah Enterprise Zone Program is to improve the State's local and regional economies. The program does this by enhancing opportunities for private investment in certain areas that are called enterprise zones. The following is a brief summary of the incentives provided under the Enterprise Zone Program.

TYPES OF CREDITS

1. Incremental (job creation) Tax Credits for eligible new jobs paying above the county average wage
2. Capital Investment Tax Credits (other tax credits)

TAX CREDIT RULES & ELIGIBILITY

Tax credits are available to eligible businesses in designated enterprise zones from the start of the tax year in which the designation is made. For example, if designation is made in November 2019, an eligible business may claim tax credits for the entire tax year beginning January 1, 2019.

The full amount of the tax credit may be carried over for three years. Businesses closing operations in one rural area to locate in another rural area may not claim tax credits under this program.

Construction and/or retail jobs are not eligible for "job creation tax credits".
Construction, retail businesses and public utilities are not eligible to claim "other tax credits".

The following tax credits may be claimed by eligible businesses locating or expanding in enterprise zones on state income tax forms:

JOB CREATION TAX CREDITS

(may claim for up to thirty full-time positions per tax year):

- A \$750 tax credit for each new full-time position filled for at least six months during the tax year.
- An additional \$500 tax credit if the new position pays at least 125% of the county average monthly wage for the respective industry (determined by the Utah Dept. of Employment Security). In the event this information is not available for the respective industry, the position must pay at least 125% of the total average monthly wage in the county.
- An additional \$750 tax credit if the new position is in a business which adds value to agricultural commodities through manufacturing or processing.
- An additional \$200 tax credit, for two consecutive years, for each new position insured under an employer sponsored health insurance program if the employer pays at least 50% of the premium.

OTHER TAX CREDITS

- A tax credit (not to exceed \$100,000) of 50% of the value of a cash contribution to a 501(c)(3) private nonprofit corporation engaged primarily in community and economic development and is accredited by the Utah Rural Development Council (separate process/deadline).
- A tax credit of 25% of the first \$200,000 spent on rehabilitating a building which has been vacant for at least two years, and which is located within an enterprise zone.
- An annual investment tax credit of 10% of the first \$250,000 in investment, and 5% of the next \$1,000,000 qualifying investment in plant, equipment, or other depreciable property (Internal Revenue Service's Form 4562).

FINANCIAL IMPLICATIONS

If the application is successful, the zone will require a Qualified Local Contribution requirement under 63M-1-405. Summit County's continued support of PandoLabs would qualify as a local contribution in support of a small business incubator program. Additionally, the County has budgeted to facilitate two cohorts of the Ice-House Entrepreneurship Program and the Wasatch Back Economic Summit, which also provide training opportunities for start-up and early stage companies.

LAND USE AND ZONING IMPLICATIONS

The Enterprise Zone designation will have no impact on land use or zoning. Future development or expansion of facilities has the potential to increase the population. However, since development in the future is expected to occur on lands already designated for commercial or industrial development, the future households which might be created would be part of the region's natural growth patterns.

PROJECTED JOBS CREATED IN ENTERPRISE ZONE – 2019-2024

NAICs	Description	2019 Jobs	2024 Jobs	2019 - 2024 Change	Average Earnings Per Job	Non-Incorporated County Jobs Enterprise Zone
52	Finance and Insurance	562	607	45	\$150,327	28
55	Management of Companies and Enterprises	258	296	38	\$125,004	24
42	Wholesale Trade	401	556	155	\$112,520	96
54	Professional, Scientific, and Technical Services	1,991	2,456	465	\$89,298	288
51	Information	470	593	123	\$86,875	76
21	Mining, Quarrying, and Oil and Gas Extraction	86	95	9	\$82,143	6
31	Manufacturing	898	1,057	159	\$79,567	99
62	Health Care and Social Assistance	1,627	2,015	388	\$62,902	241
53	Real Estate and Rental and Leasing	1,579	1,772	193	\$61,294	120
56	Administrative and Support and Waste Management and Remediation Services	1,040	1,148	108	\$54,741	67
		14,069	16,407	1,683		1,045

The total number of income “qualifying” jobs projected to be created within the Summit County Enterprise Zone range between 523-1,045 over a period of five (5) years.

ATTACHMENTS/EXHIBITS

1. Resolution No. 2019-30
2. Application for Designation as a Utah Enterprise Zone
3. Presentation: Summit County Enterprise Zone, 5-Year Renewal

RESOLUTION NO. 2019-30

A RESOLUTION OF THE COUNTY COUNCIL OF SUMMIT COUNTY, UTAH, AUTHORIZING THE SUBMISSION OF AN APPLICATION FOR DESIGNATION AS A UTAH ENTERPRISE ZONE TO THE STATE OF UTAH GOVERNOR’S OFFICE OF ECONOMIC DEVELOPMENT.

WHEREAS, the Utah Enterprise Zone Program was established in 1988; and

WHEREAS, the eligible businesses may claim tax credits as an incentive to relocate or expand in these zones; and

WHEREAS, on November 20, 2019, the County Council conducted a public hearing to receive comments on the proposed Enterprise Zone designation and application; and

NOW THEREFORE BE IT RESOLVED by the County Council of Summit County, Utah, hereby authorizes the submission of an application to the Governor’s Office of Economic Development (GOED) to be designated as an Enterprise Zone and additionally offers the following:

THE COUNTY COUNCIL OF SUMMIT COUNTY, UTAH DOES HEREBY RESOLVE AS FOLLOWS:

SECTION 1. Summit County authorizes that staffing shall be made available to maintain record-keeping and annual updates on zone activities and to discuss these activities with program auditors; and

SECTION 2. Summit County shall develop a self-evaluation process to measure its progress in meeting its goals and objectives and that this process shall be submitted to the Governor’s Office of Economic Development for review, approval and modification; and

SECTION 3. Summit County’s continued support of PandoLabs, the Wasatch Back Economic Summit and the facilitation of the Ice-House Entrepreneurship Program cohorts in Summit County shall be considered a Qualified Local Contribution requirement under 63M-1-405.

SECTION 4. Summit County authorizes the County Manager or his designee to execute all documents related to these actions.

APPROVED AND ADOPTED this 20th day of November, 2019.

ATTEST:
SUMMIT COUNTY, UTAH

SUMMIT COUNTY COUNCIL

Kent Jones
County Clerk

Roger Armstrong
Council Chair

THE ENTERPRISE ZONE TAX CREDIT PROGRAM

Application

(As found in Form Assembly)

GENERAL INFORMATION

Date: November 20th, 2019

Applying Municipality or County Name: Summit County

Local Enterprise Zone Coordinator: Jeffrey B. Jones, AICP

Street Address: 60 North Main, PO Box 128, Coalville, UT 84017

City: Coalville

State: Utah

Zip Code: 84017

County: Summit

Email: jjones@summitcounty.org

Phone: 435-336-3221

Population of Municipality: N/A

County Population: 42,465 (26,210 non-incorporated area)

EVIDENCE OF NEED FOR DEVELOPMENT

According to Section 63N-2-204 (1) (2) of the Enterprise Zone statute, a county applicant or municipal applicant seeking designation as an Enterprise Zone shall provide clear evidence of the need for development. In accordance with this requirement, and based on the GOED Office of Rural Development criteria for evaluating applications, Sections 63N-2-206, please provide clear evidence of the need for development by answering the following questions:

1. Is there a pervasiveness of poverty, unemployment, and general distress in the proposed zone? Please explain. (250 word limit)

Response:

- 5.6% of the County's population are in poverty.
- The percentage of people under 18 years below the poverty threshold = 9.2%
- The percentage of people 65 years or older below the poverty threshold = 4.6%

2. Is there chronic abandonment, deterioration, or reduction in value of commercial, industrial, or residential structures, or property tax arrearages in the proposed zone? Please explain. (250 word limit)

Response:

- There are properties that have been vacant for a period of more than two years such as the former "Chicken Inn" in Wanship.
- There are also many areas of the County where infrastructure (sewer and water) availability is limited. As such, the opportunity costs associated with the rehabilitation and/or development of new commercial/industrial space in these areas proves challenging for most developers. The renewal of the Enterprise Zone has the potential to help offset some of these higher costs.

3. Explain the potential for new investment and economic development in the proposed zone. (500 word limit)

Response:

- The County believes the majority of new commercial/industrial activity will be facilitated towards incorporated cities/towns or regions within Summit County that offer access to infrastructure.
- Three (3) of the seven (7) incorporated cities and towns within Summit County also have established Enterprise Zones. However, there are eleven (11) historic Census Designated Places (CDPs), such as Wanship, Echo, Woodland, Hoytsville, Silver Summit, Snyderville, Summit Park, Woodland, Marion, Peoa and Samak that offer various levels of development potential.
- In 2018, the Summit County Council adopted a Village Overlay Zoning tool to create a comprehensive, community-specific land use and design strategy to address community needs. Residents in the Hoytsville area are currently engaged in a project called "Cedar Crest." The Cedar Crest Overlay committee is charged with coming up with a plan for a new village covering roughly 1,000 acres between Interstate 80 and the Wasatch Mountains and bounded by Coalville to the north and Judd Lane to the south.
- In the Snyderville Basin, the former Boyer Tech Center was recently purchased by Dakota Pacific Real Estate, the establishment of the Enterprise Zone may help to facilitate new non-residential development in higher wage industry clusters which would help the County's current jobs-to-housing imbalance.

4. Explain the proposed use of other state and federal development funds or programs to increase the probability of new investment and development occurring. (250 word limit)

Response:

- The County will utilize other Federal/State incentive programs when/where eligible and appropriate, such as CDBG, Rural Fast Track, Recycling Market Development Zones, USDA, Low Income Housing Tax Credits and the Olene Walker Housing Loan Fund.

5. Please explain the extent to which the projected development in the zone will provide employment to residents and particularly individuals who are unemployed or who are economically disadvantaged. (250 word limit)

Response:

From 2019-2024, it is anticipated that approximately 1,045 jobs will be created within the proposed Enterprise Zone. Of this 1,045, approximately 50% are projected to income/sector qualify for credits.

The average earnings per job in Summit County (includes wages, salaries, supplements and proprietor income) is \$54,222, which is lower than the State of Utah (\$57,893) and the US average of \$67,317 (Source: EMSI). Lower average earnings per job combined with a higher cost-of-living presents a unique demographic. For example, cost of living in Summit County is

estimated at 139.9 or 39.9 points above the United States average of 100. And, 36.1 points above the State of Utah's cost of living of 103.8, mostly due to housing costs.

Facilitating the creation of higher wage jobs in Summit County will create additional opportunities for residents and particularly individuals who are unemployed or underemployed and/or who are economically disadvantaged.

6. Please explain how innovative solutions to economic development problems will be promoted, and how local economic development initiatives will be demonstrated. (250 word limit)

Response:

Summit County has purchased a subscription and is a certified developer for Economic Modeling System (EMS) International's Developer product. This software application allows the County to track population and workforce demographics, create a snapshot of the region's economy, and quantify regional sales and Gross Regional Product (GRP) by industry. It also provides a platform to help the County create a business case for a given industry and helps to monitor the health of the County's industries for stronger business engagement and retention. Summit County will use this software application to track job creation and wage rates within the proposed Enterprise Zone.

DEVELOPMENT PLAN

According to Section 63N-2-204 3(b) of the Enterprise Zone Statute, a county applicant or municipal applicant seeking designation as an Enterprise Zone shall provide a development plan. Please answer the following questions that outline the development plan:

1. What types of investment and development within the zone are expected to take place if the enterprise zone incentives are provided? (250 word limit)

Response:

The majority of investment will occur in the following three (3) sectors: NAICS 54, Professional, Scientific, and Technical Services; NAICS 62, Health Care and Social Assistance; and, NAICS 53, Real Estate Rental and Leasing. As such, most of the future investment will be in the form of new office construction.

2. Please describe the specific investment or development reasonably expected to take place in the proposed zone. (250 word limit)

Response:

The amount of specific investment square footage is difficult to calculate. However, it is possible to convert the number of employees (jobs) to square footage using the Institution of Transportation Engineers Trip Generation Manual. Based on the industrial classification and using the ITE manual estimates, from 2019-2014, 1045 Jobs would require 413,796/SF of space or 82,759/SF per year. It is estimated that 50% of this total would be eligible for credits (41,380/SF).

3. Explain any commitments that have been obtained from businesses who are or who might be established within the proposed zone. (250 word limit)

Response:

- No specific commitments have been obtained to date—but the new master plan for the former Boyer Tech Center is moving through the County’s approval process. It is anticipated that upon adoption, some of the new office development will help to absorb a portion of the anticipated demand.

4. What are the projected number of jobs that will be created and the anticipated wage level of those jobs? (250 word limit)

NAICs	Description	2019 Jobs	2024 Jobs	2019 - 2024 Change	Average Earnings Per Job	Non-Incorporated County Jobs Enterprise Zone
52	Finance and Insurance	562	607	45	\$150,327	28
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54	Professional, Scientific, and Technical Services	1,991	2,456	465	\$89,298	288
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56	Administrative and Support and Waste Management and Remediation Services	1,040	1,148	108	\$54,741	67
		14,069	16,407	1,683		1,045 * .50 = 523

5. Please explain any proposed emphasis on the type of jobs to be created, including any affirmative action plans. (250 word limit)

Response:

- The County is targeting industry sectors that pay more than the County’s average earnings per job. This will help to raise the County’s average earnings per job closer to that of the State of Utah and the National average. This is an important focal point because of Summit County’s high cost of living.

6. What are the proposed means of assessing the effectiveness of the development plan or other programs within the zone once they have been implemented within the zone? (250 word limit)

Response:

- Employment growth and wage growth will be the primary means of assessing effectiveness. We will also monitor the increase/decrease in payroll locations within the Enterprise Zone. We will use our access to the EMSI database to provide this information.

7. Please give any additional information considered to be relevant to the designation of an enterprise zone. (250 word limit)

Response:

- 45.72% of all the jobs in Summit County fall within NAICS 44: Retail Trade (3,650/37,630), NAICS 71: Arts, Entertainment, and Recreation (3,956/\$43,714) and NAICS 72: Accommodation and Food Services (6,227/\$35,866), which are traditionally lower paying jobs.
- Additionally, Construction and Mining, Quarrying, and Oil and Gas Extraction jobs have yet to return to pre-recession levels:

2007 Jobs	2019 Jobs	Change	% Change
3,038	2,180	-858	-28.2%

LOCAL CONTRIBUTIONS

According to Section 63N-2-205 of the Enterprise Zone statute, an area may be designated as an Enterprise Zone only if the county applicant or the municipal applicant agrees to make a qualifying local contribution. Qualifying contributions may include, but are not limited to those listed below. Please choose all local contributions the county or municipal applicant will offer. If there will be other contributions please select Other Local Contributions and list them in the field provided.

Select Local Contributions

- Simplified procedures for obtaining permits
- Dedication of available government grants
- Dedication of training funds
- Waiver of business license fees
- Infrastructure improvements
- Private contributions
- Utility rate concessions
 - ✓ Small business incubator programs
 - The Summit County Economic Development Division has budgeted to facilitate two (2) cohorts of the Ice-House Entrepreneurship Program in Summit County for FY2020 (10 students in each cohort).
 - Summit County is also a member of the PandoLabs Execution Network.
- Management assistance programs

Other Local Contributions

If Other, please list:

- ✓ Summit County has budget to participate in the Wasatch Back Economic Summit for FY2020.

SUPPORTING DOCUMENTATION

The applicant must submit the following documentation to complete the application:

Required Documentation

- Please upload the Resolution from the governing body of the applying city or county
 - Attached to application
- Please upload a copy of Minutes from the meeting wherein the resolution was approved
 - Attached to application
- Please upload a copy of the county or municipal Economic Development Plan to demonstrate coordination between the enterprise zone and overall county or municipal goals
 - Attached to application
- Please upload a PDF version of the map of the area designated by the governing body as an Enterprise Zone
 - Attached to application
- Please upload Shape Files of the map of designated Enterprise Zone area. For assistance in creating shape files please see your county's GIS specialist. More than one upload for complete shape files will be required. Please "add another response" until all the files are uploaded.
 - Provided in separate email

Terms: Enterprise Zones are established on 5-Year terms. Approved applications will be effective from January 1 of the year an application is approved through December 31 of the fifth year (example: January 1, 2018 through December 31, 2022). Upon expiration, a new application will be required to re-establish an Enterprise Zone. A county or municipality with a designated Enterprise Zone is required to give an annual report to the GOED Office of Rural Development regarding economic activities that have occurred within the zone following the designation. Enterprise Zones maps will be published on locate.utah.gov.

✓ Agree

Please direct your Enterprise Zone Application to:

GOED/ Office of Rural Development
60 E. South Temple, 3rd Floor
Salt Lake City, UT 84111
801-538-8804

