

First Home Investment Zone Amendments

2025 GENERAL SESSION

STATE OF UTAH

Chief Sponsor: Wayne A. Harper

LONG TITLE**Committee Note:**

The Economic Development and Workforce Services Interim Committee recommended this bill.

Legislative Vote: 13 voting for 0 voting against 4 absent

General Description:

This bill modifies provisions affecting first home investment zones.

Highlighted Provisions:

This bill:

- modifies definitions;
- clarifies owner-occupancy requirements in a first home investment zone;
- clarifies how extraterritorial homes may be included in density and owner-occupancy requirements for a first home investment zone; and
- makes technical changes.

Money Appropriated in this Bill:

None

Other Special Clauses:

None

Utah Code Sections Affected:

AMENDS:

63N-3-1601, as enacted by Laws of Utah 2024, Chapter 537

63N-3-1602, as enacted by Laws of Utah 2024, Chapter 537

Be it enacted by the Legislature of the state of Utah:

Section 1. Section **63N-3-1601** is amended to read:

63N-3-1601 . Definitions.

(1) "Affordable housing" means:

(a) for homes that are not owner occupied, housing occupied or reserved for occupancy

by households with a gross household income equal to or less than 80% of the county

32 median gross income [~~of the applicable municipal statistical area~~] for households of
 33 the same size; or

34 ~~(b)~~(b) for homes that are owner occupied, housing that is priced at 80% of the county
 35 median home price[-] ; or

36 (c) for homes that are owner occupied, housing that is priced at 80% of the zip code
 37 median home price if:

38 (i) the proposal described in Section 63N-3-1603 demonstrates that a deviation from
 39 the county median home price will achieve the objectives described in Subsection
 40 63N-3-1602(1); and

41 (ii) the zip code median home price is based upon county property tax assessment
 42 data.

43 (2) "Agency" means the same as that term is defined in Section 17C-1-102.

44 (3) "Base taxable value" means the same as that term is defined in Section 63N-3-602.

45 (4) "Base year" means~~[the same as that term is defined in Section 63N-3-602.]~~ , for each tax
 46 increment collection period triggered within a proposed first home reinvestment zone
 47 area, the calendar year prior to the calendar year the tax increment begins to be collected
 48 for those parcels triggered for that collection period.

49 (5)(a) "Developable area" means~~[the same as that term is defined in Section 63N-3-602.]~~
 50 the portion of land within a first home reinvestment zone available for development
 51 and construction of business and residential uses.

52 (b) "Developable area" does not include portions of land within a first home
 53 reinvestment zone that are allocated to:

54 (i) parks;

55 (ii) recreation facilities;

56 (iii) open spaces;

57 (iv) trails;

58 (v) publicly-owned roadway facilities; or

59 (vi) other public facilities.

60 (6) "Dwelling unit" means the same as that term is defined in Section 63N-3-602.

61 (7) "Extraterritorial home" means a dwelling unit that is included as part of the first home
 62 investment zone proposal that:

63 (a) is located within the municipality proposing the first home investment zone but
 64 outside the boundary of the first home investment zone;

65 (b) is part of a development with a density of at least six units per acre;

- 66 (c) is not located within an existing housing and transit reinvestment zone or an area that
67 could be included in a housing and transit reinvestment zone;
- 68 (d) has not been issued a building permit by the municipality as of the date of the
69 approval of the first home investment zone; and
- 70 (e) is required to be owner occupied for no less than 25 years.
- 71 (8) "First home investment zone" means a first home investment zone created in accordance
72 with this part.
- 73 (9) "Home" means a dwelling unit.
- 74 (10) "Housing and transit reinvestment zone" means the same as that term is defined in
75 Section 63N-3-602.
- 76 (11) "Housing and transit reinvestment zone committee" means the housing and transit
77 reinvestment zone committee described in Section 63N-3-605.
- 78 (12) "Metropolitan planning organization" means the same as that term is defined in
79 Section 72-1-208.5.
- 80 (13) "Mixed use development" means the same as that term is defined in Section 63N-3-603.
- 81 (14) "Moderate income housing plan" means the same as that term is defined in Section
82 11-41-102.
- 83 (15) "Municipality" means the same as that term is defined in Section 10-1-104.
- 84 (16) "Owner occupied" means private real property that is:
- 85 (a) used for a single-family residential purpose; and
- 86 (b) required to be occupied by the owner of the real property for no less than 25 years.
- 87 (17) "Project area" means the same as that term is defined in Section 17C-1-102.
- 88 (18)(a) "Project improvements" means site improvements and facilities that are:
- 89 (i) planned and designed to provide service for development resulting from a
90 development activity;
- 91 (ii) necessary for the use and convenience of the occupants or users of development
92 resulting from a development activity; and
- 93 (iii) not identified or reimbursed as a system improvement.
- 94 (b) "Project improvements" does not mean system improvements.
- 95 (19) "State Tax Commission" means the State Tax Commission created in Section 59-1-201.
- 96 (20)(a) "System improvements" means existing and future public facilities that are
97 designed to provide services to service areas within the community at large.
- 98 (b) "System improvements" does not mean project improvements.
- 99 (21)(a) "Tax increment" means the difference between:

100 (i) the amount of property tax revenue generated each tax year by a taxing entity from
 101 the area within a first home investment zone designated in the first home
 102 investment zone proposal as the area from which tax increment is to be collected,
 103 using the current assessed value and each taxing entity's current certified tax rate
 104 as defined in Section 59-2-924; and

105 (ii) the amount of property tax revenue that would be generated from that same area
 106 using the base taxable value and each taxing entity's current certified tax rate as
 107 defined in Section 59-2-924.

108 (b) "Tax increment" does not include property tax revenue from:

109 (i) a multicounty assessing and collecting levy described in Subsection 59-2-1602(2);

110 or

111 (ii) a county additional property tax described in Subsection 59-2-1602(4).

112 (22) "Taxing entity" means the same as that term is defined in Section 17C-1-102.

113 (23) "Unencumbered annual community reinvestment agency revenue" means tax

114 increment revenue received by the agency for purposes identified in Title 17C, Limited
 115 Purpose Local Government Entities - Community Reinvestment Agency Act, that:

116 (a) have not been designated or restricted for future qualified uses as approved by the
 117 agency board related to a specific project area; and

118 (b) do not have a date certain by which the tax increment revenues will be used.

119 Section 2. Section **63N-3-1602** is amended to read:

120 **63N-3-1602 . Applicability, requirements, and limitations on a first home**
 121 **investment zone.**

122 (1) A first home investment zone created pursuant to this part shall promote the following
 123 objectives:

124 (a) encouraging efficient development and opportunities for home ownership by
 125 providing a variety of housing options, including affordable housing and for sale,
 126 owner-occupied housing;

127 (b) improving availability of housing options;

128 (c) overcoming development impediments and market conditions that render a
 129 development cost prohibitive absent the proposal and incentives;

130 (d) conserving water resources through efficient land use;

131 (e) improving air quality by reducing fuel consumption and motor vehicle trips;

132 (f) encouraging transformative mixed-use development;

133 (g) strategic land use and municipal planning in major transit investment corridors as

- 134 described in Subsection 10-9a-403(2);
- 135 (h) increasing access to employment and educational opportunities;
- 136 (i) increasing access to child care; and
- 137 (j) improving efficiencies in parking and transportation, including walkability of
- 138 communities, street and path interconnectivity within the proposed development and
- 139 connections to surrounding communities, and access to roadways, public
- 140 transportation, and active transportation.
- 141 (2) In order to accomplish the objectives described in Subsection (1), a municipality or
- 142 county that initiates the process to create a first home investment zone as described in
- 143 this part shall ensure that the proposal for a first home investment zone includes:
- 144 (a) subject to Subsection (3), a minimum of 30 housing units per acre:
- 145 (i) in at least 51% of the developable area within the first home investment zone; and
- 146 (ii) of which 50% must be owner occupied;
- 147 (b) a mixed use development;
- 148 (c) a requirement that at least 25% of homes within the first home investment zone
- 149 remain owner occupied for at least 25 years from the date of original purchase;
- 150 (d) for homes inside the first home investment zone, a requirement that at least 12% of
- 151 the owner occupied homes and 12% of the homes that are not owner occupied are
- 152 affordable housing; and
- 153 (e) a requirement that at least 20% of the extraterritorial homes are affordable housing.
- 154 (3)(a) Subject to Subsection (3)(b), to satisfy the requirements described in Subsection
- 155 (2)(a), a first home investment zone may include an extraterritorial home to count
- 156 toward the required density and owner-occupancy of the first home investment zone
- 157 by:
- 158 (i) [~~(A) taking~~] adding the total number of extraterritorial homes related to the
- 159 first home investment zone to the total number of homes within the first home
- 160 investment zone; and
- 161 [~~(B) adding the total number under Subsection (3)(a)(i)(A) to the number of~~
- 162 ~~homes within the first home investment zone; and]~~
- 163 (ii) dividing the [total] sum described in Subsection (3)(a)(i) by a number equal to
- 164 51% of the total number of developable acres [with] within the first home
- 165 investment zone.
- 166 (b) Extraterritorial homes may account for no more than half of the total homes to
- 167 calculate density within a first home investment zone.

- 168 (4)(a) If a municipality proposes a first home investment zone, the proposal shall
169 comply with the limitations described in this Subsection (4).
- 170 (b) A first home investment zone may not be less than 10 acres and no more than 100
171 acres of developable area in size.
- 172 (c)(i) Except as provided in Subsection (4)(c)(ii), a first home investment zone is
173 required to be one contiguous area.
- 174 (ii) While considering a first home investment zone proposal as described in Section
175 63N-3-1605, the housing and transit reinvestment zone committee may consider
176 and approve a first home investment zone that is not one contiguous area if:
- 177 (A) the municipality provides evidence in the proposal showing that the deviation
178 from the contiguity requirement will enhance the ability of the first home
179 investment zone to achieve the objectives described in Subsection (1); and
- 180 (B) the housing and transit reinvestment zone committee determines that the
181 deviation is reasonable and circumstances justify deviation from the contiguity
182 requirement.
- 183 (iii) The first home investment zone area contiguity is not affected by roads or other
184 rights-of-way.
- 185 (d)(i) A first home investment zone proposal may propose the capture of a maximum
186 of 60% of each taxing entity's tax increment above the base year for a term of no
187 more than 25 consecutive years within a 45-year period not to exceed the tax
188 increment amount approved in the first home investment zone proposal.
- 189 (ii) A first home investment zone proposal may not propose or include triggering
190 more than three tax increment collection periods during the applicable 25-year
191 period.
- 192 (iii) Subject to Subsection (4)(d)(iv), a municipality shall ensure that the required
193 affordable housing units are included proportionally in each phase of the first
194 home investment zone development.
- 195 (iv) A municipality may allow a first home investment zone to be phased and
196 developed in a manner to provide more of the required affordable housing units in
197 early phases of development.
- 198 (e) If a municipality proposes a first home investment zone, commencement of the
199 collection of tax increment, for all or a portion of the first home investment zone, is
200 triggered by providing notice as described in Subsection (5).
- 201 (f) A municipality may restrict homes within a first home investment zone and related

- 202 extraterritorial homes from being used as a short-term rental.
- 203 (g) A municipality shall ensure that affordable housing within a first home investment
204 zone and related extraterritorial homes that are reserved as affordable housing are
205 spread throughout the overall development.
- 206 (h) A municipality shall ensure that at least 80% of extraterritorial homes included in a
207 first home investment zone proposal are single-family detached homes.
- 208 (i) A municipality shall include in a first home investment zone proposal:
- 209 (i) an affordable housing plan, which may include deed restrictions, to ensure the
210 affordable housing required in the proposal will continue to meet the definition of
211 affordable housing at least throughout the entire term of the first home investment
212 zone; and
- 213 (ii) an owner occupancy plan, which may include deed restrictions, to ensure the
214 owner occupancy requirements in the proposal will continue to meet the definition
215 of owner occupancy at least throughout the entire term of the first home
216 investment zone.
- 217 (j) A municipality shall include in the first home investment zone proposal evidence to
218 demonstrate how the first home investment zone proposal complies with the
219 municipality's moderate income housing plan and general plan.
- 220 (5) Notice of commencement of collection of tax increment shall be sent by mail or
221 electronically to the following entities no later than January 1 of the year for which the
222 tax increment collection is proposed to commence:
- 223 (a) the State Tax Commission;
- 224 (b) the State Board of Education;
- 225 (c) the state auditor;
- 226 (d) the auditor of the county in which the first home investment zone is located;
- 227 (e) each taxing entity affected by the collection of tax increment from the first home
228 investment zone;
- 229 (f) the assessor of the county in which the first home investment zone is located; and
- 230 (g) the Governor's Office of Economic Opportunity.
- 231 (6) A first home investment zone proposal may not include a proposal to capture sales and
232 use tax increment.
- 233 (7) A municipality may not propose a first home investment zone in a county of the first
234 class if the limitation described in Subsection 63N-3-603(7)(c) has been reached.
- 235 (8) A municipality may not propose a first home investment zone in a location that is

236 eligible for a housing and transit reinvestment zone.
237 (9) A municipality may not propose a first home investment zone if the municipality's
238 community reinvestment agency, based on the most recent annual comprehensive
239 financial report, retains cash and cash equivalent assets of more than 20% of ongoing
240 and unencumbered annual community reinvestment agency revenue.

241 Section 3. **Effective date.**

242 This bill takes effect on May 7, 2025.