JACKIE BISKUPSKI
MAYOR
EXECUTIVE DIRECTOR, RDA

LARA FRITTS
DIRECTOR
CHIEF EXECUTIVE OFFICER, RDA

DEPARTMENT *of* ECONOMIC DEVELOPMENT

REDEVELOPMENT AGENCY STAFF MEMO

DATE: August 1, 2018

PREPARED BY: Tammy Hunsaker

RE: Northwest Quadrant Tax Increment Reimbursement Policy

REQUESTED ACTION:
1. Approve the Northwest Quadrant Tax Increment Reimbursement Policy.
2. Approve the Northwest Quadrant Tax Increment Reimbursement Policy with modifications.
3. Defer action to a future meeting.

POLICY ITEM: Northwest Quadrant project area development.

BUDGET IMPACTS: N/A.

EXECUTIVE SUMMARY: In January of 2018, the Board of Directors ("Board") of the Redevelopment Agency of Salt Lake City ("RDA") and the Salt Lake City Council adopted the Northwest Quadrant Community Reinvestment Area Plan ("CRA Plan"). To facilitate the implementation of the CRA Plan, the RDA has drafted *Attachment A: Draft Northwest Quadrant Tax Increment Reimbursement Policy* ("Draft Policy") for the Board's consideration. Once adopted, the resolution will become the guiding policy for issuing Participation and Reimbursement Agreements ("Agreements") within the project area. Any approval of an Agreement shall be made by Board resolution.

REDEVELOPMENT ADVISORY COMMITTEE RECOMMENDATION: The Draft Policy was presented to the Redevelopment Advisory Committee ("RAC") on June 6, 2018. RAC recommended approval of the Policy as presented.

ANALYSIS & ISSUES: The Draft Policy is intended to facilitate tax increment reimbursements for projects that further the purposes of the CRA Plan. Reimbursements shall allocate a portion of new tax growth to projects that generate tax increment and deliver substantial and measurable change within the project area. Participants shall be entitled to a reimbursement only after executing an Agreement with the RDA, as well as fully funding the capital costs to improve the property and generating sufficient tax increment.

The Draft Policy is based on the standard RDA Tax Increment Reimbursement Policy, adopted in November of 2017, which guides tax increment reimbursements within all other RDA project areas. To address the unique conditions of the Northwest Quadrant, the following provisions have been included:

- *System-wide Improvements, 1.3(b) and 2.4:*
  Reimbursements may not only be provided for project-specific improvements, as typically provided by the RDA, but also for system-wide improvements, as follows:

  - o Improvement Categories: System-wide Improvements, 1.3(b)
    Tax increment reimbursements may facilitate system-wide improvements ("System Improvements") that benefit more than one parcel and property owner. A portion of the new, additional taxes generated by development that has been facilitated by the System Improvements may be paid toward the cost of System Improvements on a pro-rata basis. Applications for reimbursement for System Improvements will be given priority based on the date the application is made, and the RDA will commit tax increment based on priority of the application.

  - o Reimbursement Standards: System-Wide Improvements, 2.4
    The standards for calculating the amount of tax increment available to an Applicant for System Improvements, pursuant to 1.3(b), shall be as follows:

    - a. Step 1: Improvement Plan
      In addition to standard application materials required by the RDA for tax increment reimbursement, an applicant shall submit an improvement plan that may, depending on the scope of the proposed project, include the following information:
      - A list of tax parcels comprising the area to be served by the System Improvement ("Improvement Area"), including owners and parcel numbers. These parcels shall be located within the Project Area and be determined to be directly affected and substantially benefited by the System Improvements.
      - A map or drawing clearly identifying the boundaries of the Improvement Area, including the location of the System Improvements.
      - The total estimated cost of System Improvements, and the proportion of the total cost that will be paid by the Applicant.
      - Any non-tax increment sources of revenue and/or financing known at the time of application.
      - The proposed period of time for which tax increment will be collected from the Improvement Area for reimbursement on the System Improvements.
      - The anticipated impact the System Improvements will have on future property development.
      - An estimate of anticipated development and future value resulting from System Improvements.
    - b. Step 2: Determination of Proposed Tax Increment Structure
      Based on the information provided in the Improvement Plan, the RDA shall make a determination on the following:
      - The geographic area and tax parcels that tax increment shall be captured, on a pro-rata basis, for the System Improvements.
      - The total amount and schedule that tax increment shall be reimbursed to offset up-front expenses incurred by the Applicant to develop System Improvements.
- *Maximum Reimbursement Percentage, 2.1:*
  The maximum amount of tax increment available for reimbursement shall be seventy percent (70%) of the annual tax increment generated from the properties within the Project Area and collected and retained by the RDA.

- *Term, 2.2:*
  The maximum reimbursement term shall be 20 years or the sum of the remaining operating years of the Project Area, whichever is less.

- *Application Analysis, 3.2*
  Applications that result in, if approved, a reimbursement agreement that reimburses one million dollars ($1,000,000) or more of tax increment shall complete a financial analysis by a third-party consultant prior to review by the RDA Finance Committee. If the tax increment reimbursement is below $1,000,000, the third party financial analysis may be waived by RDA staff.

- *Board Review and Approval Process, 3.3:*
  Applications shall be forwarded to the Board within thirty (30) days of receipt of a completed application. The Board will use best efforts to consider the application within sixty (60) days of the Board's receipt of the application from RDA staff and to decide the application as soon as reasonably practicable thereafter.

PREVIOUS BOARD ACTION:
- January 2018: The Board and Salt Lake City Council adopted the Northwest Quadrant Community Reinvestment Area Plan.

ATTACHMENTS:
- Attachment A: Draft Northwest Quadrant Tax Increment Reimbursement Policy

REDEVELOPMENT AGENCY OF SALT LAKE CITY

RESOLUTION NO. _____

Northwest Quadrant Tax Increment Reimbursement Policy to Support the Implementation of the Northwest Quadrant Community Reinvestment Area Plan

RESOLUTION OF THE BOARD OF DIRECTORS OF THE REDEVELOPMENT AGENCY OF SALT LAKE CITY ADOPTING A NORTHWEST QUADRANT TAX INCREMENT REIMBURSEMENT PROGRAM POLICY

WHEREAS, the Redevelopment Agency of Salt Lake City ("RDA") was created to transact the business and exercise the powers provided for in the Utah Community Reinvestment Agency Act.

WHEREAS, the Board of Directors of the Redevelopment Agency of Salt Lake City (the "RDA") has approved the Northwest Quadrant Community Reinvestment Area ("Project Area") to facilitate the capture of tax increment within the boundaries of the Project Area which is further depicted in **Exhibit A.**

WHEREAS, tax increment is intended to further the purposes of the Northwest Quadrant Community Reinvestment Area Plan ("Project Area Plan") to carry out economic development and implementation of the Northwest Quadrant Master Plan.

WHEREAS, the Utah Community Reinvestment Agency Act grants the RDA authority to enter into participation agreements (also known as tax increment reimbursement agreements), for the purpose of providing incentives in the form of tax increment to implement the Project Area Plan.

NOW THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE REDEVELOPMENT AGENCY OF SALT LAKE CITY THAT THEY hereby approve the following tax increment reimbursement policy for the Project Area:

1. GENERAL

1.1 Purpose

The Northwest Quadrant Tax Increment Reimbursement Program ("Program") provides tax increment reimbursements ("Reimbursements") for projects that further the purposes of the Project Area Plan. Reimbursements shall allocate a portion of new tax growth generated by a development that delivers substantial and measurable change within the Project Area. Participants shall be entitled to a Reimbursement only after executing a Participation and Reimbursement Agreement ("Agreement") with the RDA, as well as fully funding the capital costs to improve the property and generating sufficient tax increment.

1.2 Eligible Projects

To be eligible for a Reimbursement, projects shall:

    a. Be located within the Developable Area and/or Development Buffer as depicted in **Exhibit A**;

    b. Align with the Project Area Plan;

    c. Provide sufficient evidence that tax increment funding is necessary for the project to succeed and to verify that the request is reasonable; and

    d. Involve significant private investment of capital improvements so as to assure adequate yield of tax increment.

1.3 Improvement Categories

Eligible improvements shall be categorized as either project-specific improvements or system-wide improvements, as follows:

    a. Project-Specific Improvements

    Tax increment reimbursements may facilitate project-specific improvements ("Project Improvements") that benefit a single parcel or parcel assemblage. Project owners/developers will receive a portion of the new, additional taxes generated by the Project Improvements over a limited period of time.

    b. System-Wide Improvements

    Tax increment reimbursements may facilitate system-wide improvements ("System Improvements") that benefit more than one parcel and property owner. A portion of the new, additional taxes generated by development that has been facilitated by the System Improvements may be paid toward the cost of System Improvements on a pro-rata basis. Applications for reimbursement for System Improvements will be given priority based on the date the application is made, and the RDA will commit tax increment based on priority of the application.

1.4 Design Requirements

Projects approved for tax increment reimbursement must consider the RDA's Design Guidelines and utilize the guidelines as practicable, and promote green building standards and encourage good planning design. Projects will be required to be in conformance with all Salt Lake City policies, ordinances, and codes.

2. REIMBURSEMENT TERMS

2.1 Maximum Reimbursement Percentage

The maximum amount of tax increment available for reimbursement shall be seventy percent (70%) of the annual tax increment generated from the properties within the Project Area and collected and retained by the RDA.

2.2 Maximum Reimbursement Term

The maximum reimbursement term shall be 20 years or the sum of the remaining operating years of the Project Area, whichever is less.

2.3 Reimbursement Standards: Project Improvements

The standards for calculating the amount of tax increment available to an applicant for Project Improvements, pursuant to 1.3(a), shall be as follows:

a. Step 1: Calculate the Total Annual Tax Increment from the Project
    - The difference between the base taxable value of the proposed project prior to improvements and the estimated new growth in taxable value resulting from the Project Improvements. *(New Growth – Base Value)*
    - Multiplied by the sum of the current effective tax rate of the participating taxing entities.

      (New Growth – Base Value) x (Effective Tax Rate) = Total Annual TI

b. Step 2: Calculate the Annual Tax Increment Collected by the RDA
    - Total Annual Tax Increment multiplied by the taxing entity participation rate (the percentage of Tax Increment collected from participating taxing entities by the RDA)

      (Total Annual TI) x (participation rate) = Annual TI Collected by the RDA

c. Step 3: Calculate the 1st Year Applicant Allocation
    - *(Annual TI Collected by the RDA) x (Reimbursement Percentage) = Estimated Year 1 TI Reimbursement to Applicant*

d. Step 4: Calculate the Maximum Amount of Tax Increment Available to the Applicant Over the Term of the TI Reimbursement Agreement.
    - *(Estimated Year 1 Tax Increment Reimbursement to Applicant) x (the Term of the Reimbursement Agreement) = Total Tax Increment Available to Applicant Over the Term.* An annual growth multiplier may be applied to this calculation.

2.4 Reimbursement Standards: System-Wide Improvements

The standards for calculating the amount of tax increment available to an Applicant for System Improvements, pursuant to 1.3(b), shall be as follows:

a. Step 1: Improvement Plan
    In addition to standard application materials required by the RDA for tax increment reimbursement, an applicant shall submit an improvement plan that may, depending on the scope of the proposed project, include the following information:
    - A list of tax parcels comprising the area to be served by the System Improvement ("Improvement Area"), including owners and parcel numbers. These parcels shall be located within the Project Area and be determined to be directly affected and substantially benefited by the System Improvements.

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- A map or drawing clearly identifying the boundaries of the Improvement Area, including the location of the System Improvements.
- The total estimated cost of System Improvements, and the proportion of the total cost that will be paid by the Applicant.
- Any non-tax increment sources of revenue and/or financing known at the time of application.
- The proposed period of time for which tax increment will be collected from the Improvement Area for reimbursement on the System Improvements.
- The anticipated impact the System Improvements will have on future property development.
- An estimate of anticipated development and future value resulting from System Improvements.

b. Step 2: Determination of Proposed Tax Increment Structure
Based on the information provided in the Improvement Plan and the polices contained herein, -the RDA shall make a determination on the following:
- The geographic area and tax parcels that tax increment shall be captured, on a pro-rata basis, for the System Improvements.
- The total amount and schedule that tax increment shall be reimbursed to offset up-front expenses incurred by the Applicant to develop System Improvements.

2.5 Sufficient Tax Increment

The actual total of the tax increment reimbursement may fluctuate. Tax increment reimbursement is dependent on the development of property and increment being generated, and projects that do not generate sufficient tax increment during the Reimbursement Term will not qualify for the full tax increment reimbursement amount.

2.6 Tax Increment Obligations

The RDA shall only be obligated to capture and reimburse tax increment generated from property taxes paid on behalf of the property.

2.7 Interest

Interest will not accrue against the RDA on the anticipated or projected tax increment to be reimbursed to the developer.

3. EVALUATION AND APPROVAL PROCESS

3.1 Application and Review by RDA Staff

Applications for a new reimbursement agreement shall include an estimate of anticipated total future value, projected construction schedule, recommended future assessed value, the year for commencing tax increment collection and disbursement, and other information as deemed necessary to complete a financial analysis. Applications must be complete to be

considered for approval or denial, and if either the applicant or proposed project fails to demonstrate the ability to meet application requirements, RDA staff may deny the application.

3.2 Application Analysis

Applications that result in, if approved, a reimbursement agreement that reimburses one million dollars ($1,000,000) or more of tax increment shall complete the following steps to be considered by the RDA. If the tax increment reimbursement is below $1,000,000, the third party financial analysis may be waived by RDA staff.

    a. Third Party Financial Analysis
       RDA staff shall consult with a third party financial analyst to provide a recommendation with a supporting analysis on 1) the public benefit anticipated to be derived from the proposed project and 3) determination of financial need and whether or not the proposed project might reasonably occur through private investment without the Reimbursement. The third party will also, if applicable, conduct an analysis of comparable values of equivalent properties (both the difference and the percentage relative to comparable values) to ensure that the Reimbursement is not being used to reimburse overvalued land costs. The third party financial analysis shall be provided to the Board prior to the Board's consideration of the Reimbursement application.

    b. RDA Finance Committee Review
       RDA staff shall forward complete applications that meet minimum requirements to the RDA Finance Committee. The RDA Finance Committee shall evaluate applications, supplemental materials, and other documentation necessary to thoroughly review the application and formulate a recommendation to the Board. The RDA Finance Committee shall provide a recommendation of approval or denial of applications to the Board for consideration.

3.3 Board Review and Approval Process

The application and RDA Finance Committee recommendation shall be forwarded to the RDA Board within thirty (30) days of receipt of a completed application. The Board will use best efforts to consider the application within sixty (60) days of the Board's receipt of the application from RDA staff and to take action on the application as soon as reasonably practicable thereafter. The Board shall have the authority to provide tax increment reimbursement approval or denial. Any approval, and the terms of the tax increment reimbursement, shall be made by resolution.

3.4 Agreement Finalization

Once an applicant receives approval from the Board, RDA and the Applicant shall execute an Agreement.

4. AGREEMENT TERMS

4.1 Participation and Reimbursement Agreement Terms

In addition to standard terms outlining the tax increment reimbursement process as recommended by legal counsel, the following terms shall be included in the Agreement:

a. *Reimbursement to Benefit Project Owner: RDA Discretion.*
   The RDA intends that the beneficiary of the tax increment reimbursement will be the owner of the project for the life of the Agreement. In the event of a transfer or sale of the property, the Agreement and all benefits conferred under the Agreement shall benefit the project and be recorded against the property to run with the land, with the intent that all tax increment reimbursements will remain with the owner of the real property and project. In the event that the ownership of the real property and improvements are severed, the RDA will have sole discretion to determine the beneficiary of the tax increment.
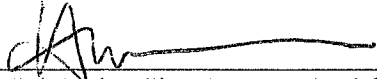
   If the Agreement is executed and the real property and project are conveyed to a third party while the improvements are still being constructed, the RDA will retain the right to consent to the transfer the Agreement to the new owner, in order to ensure that the benefits the RDA anticipated receiving under the original Agreement with the original developer are consistent with the new developer. If RDA does not consent to the transfer of the Agreement, the tax increment reimbursement will cease and the Agreement will terminate.

b. *Tax Appeals.*
   All reimbursement recipients shall be required to notify the RDA if they have applied for a property tax appeal with Salt Lake County related to the tax increment reimbursement. In the event that any such appeal results in a reduction in property taxes, the percentage share of the tax increment payable to the recipient shall be decreased, and the percentage share of the tax increment payable to the RDA shall be increased, so that the dollar amount payable to the RDA is the same as if no appeal of the assessed value had been made.

Passed by the Board of Directors of the Redevelopment Agency of Salt Lake City, this _____ day of August, 2018.

_____
Derek Kitchen, Chairman

Approved as to form: _____
Salt Lake City Attorney's Office
Katherine N. Lewis
Date: 7/31/18

The Executive Director:

_____ does not request reconsideration
_____ requests reconsideration at the next regular Agency meeting.

_____
Jacqueline M. Biskupski, Executive Director

Attest:

_____
City Recorder

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