

MINUTES of the
REDEVELOPMENT AGENCY FINANCE COMMITTEE
Thursday, April 17, 2024
2:00pm

1. Roll Call

The following members were present:

Danny Walz, RDA; Chair
Blake Thomas, Community and Neighborhoods; Vice Chair
Peter Makowski, Economic Development
Tony Milner, Housing Stability
Marina Scott for Mary Beth Thompson, Finance
Baxter Reeser, Redevelopment Advisory Committee

Not present:

Amy Rowland

Also Present:

Kate Werrett, RDA Project Manager; Allison Parks, Senior City Attorney; Erin Cunningham, RDA Financial Analyst; Felina Lazalde, RDA Office Facilitator.

2. Approval of the minutes of the February 1, 2024, meeting.

Peter Makowski made a motion to approve the minutes from the February 1, 2024, meeting. Marina Scott seconded the motion. Upon roll call, this motion was passed unanimously.

3. Business

A. Funding Recommendation consideration of Phases II & III tax increment reimbursement request from NWQ, LLC.

Kate Werrett provided an overview of a tax increment reimbursement request for NWQ, LLC located in the Northwest Quadrant project area. Highlighted was that the master plan, created in 2016 which assisted in establishing what the City wanted to see on these 7,700 acres. Between 2016 and 2018 some zoning and overlay districts were created to protect sensitive lands and developable areas, and in January 2018 a Community Reinvestment Area (CRA) was established. With that establishment an interlocal agreement was created, however there is just one participating tax entity which is Salt Lake City. The City has agreed to allow the Redevelopment Agency (RDA) to collect 75% of the tax increment for project area development activities over a 20-year term and the remaining 25% is retained by the City. Ms. Werrett further clarified that in 2018, a development agreement was established between the RDA and the NWQ, LLC. This agreement outlined reimbursable expenses, which include Systemwide Improvements as well as Project-Specific Improvements. Additionally, a Tax Increment Reimbursement policy was established in 2018 which is specific to the Northwest Quadrant CRA. It is worth noting that the RDA has a different Tax Increment Policy for our other project areas-with separate requirements for tax increment reimbursement agreements. It was also pointed out that the NWQ CRA Tax Increment Policy allows future eligible phases to be grandfathered in with different requirements that

those of other project areas. It is significant to highlight that there have been some updates to policies within the RDA which NWQ, LLC is not held to within this CRA because it has its own policy, such as the Sustainable Development Policy. In May of 2020 NWQ, LLC applied for their first tax increment reimbursement agreement for Phase I with a maximum reimbursement of \$28 million. It was noted that this project is in compliance with both the development agreement and the tax increment policy. The Policy and development agreement allowed them to request up to 70% with a 20-year term or the sum of the remaining collection years of the Project Area, whichever is less. As part of the tax increment policy, a third-party consultant is required to do a financial analysis of the application, this was completed by LRB Financial Consultants. Based on their review, they calculated the tax increment and the maximum reimbursable amount that could be generated, which would be around \$49,562,855 and the eligible expenses as presented by the Developer are \$288,283,201. The eligible expenses for this project are well above the maximum reimbursable amount that they will generate. NWQ, LLC's Phases II and III will include light industrial warehousing that accommodates manufacturing, warehouse, and distribution tenants of varying size, they expect to spend over \$1.8 billion in capital expenditures, it will provide around 14.7 million square feet of development, and to support over 7,300 jobs with an anticipated salary of around \$45,000/yr.

Ms. Werrett displayed the sources of funds and clarified that the consultants provided a moderate scenario and a high value scenario and elaborated that if you break down the \$70.8 million that would go to the RDA in the tax increment policy for this CRA, we are to divide out the uses of funds as shown:

Use	%	Moderate Scenario	High Scenario
Tax Increment Reimbursement	70%	\$42,790,926	\$49,562,855
Affordable Housing	10%	\$6,112,989	\$7,080,408
RDA Administration	10%	\$6,112,989	\$7,080,408
Shared Costs	10%	\$6,112,989	\$7,080,408
Total Uses of Tax Increment	100%	\$61,123,894	\$70,804,078

It was pointed out that as part of the application process the developer is required to explain "but for" as well as the public benefits that come from the project, observing that several roads will be included in their public improvements. They are also building a gas regulator station, some storm water filtration systems, and a lift station. A few of these items will be dedicated to the City after they are built, and the majority of the roadways will become public roadways. The use of the system-wide improvements will in fact be system-wide for areas outside of their phases and it will promote additional Economic Development in the area.

Ms. Werrett opened the floor to questions.

Questions/Comments:

- Tony Milner asked if there were any timelines the Committee needed to be aware of where the Developer has mentioned anything regarding approval?
 - Kate Werrett notified the Committee that we need to share the Committee's recommendation to the Board within 30 days of the recommendation being made.
- Chair Walz asked Ms. Werrett to explain how the maximum reimbursement amount works and how all that relates to how much can actually be paid to the developers?

- Ms. Werrett elaborated that the numbers provided are based off projections. When it comes to tax increment and project areas, there are property taxes that are paid across the board. When a project area is created, there is a base year amount paid, equal to the property tax paid at the project's start. Once triggered, any increase in property tax paid is called the tax increment. So, with this tax increment we will receive 75%. The base year amount plus that 25% that the City is keeping will continue to go to the General Fund. In the moderate scenario, calculations consider slower development, while the high scenario anticipates faster completion. Tax increment depends on when assessed values enter the tax rolls. If they don't build what they say they are going to build, their tax increment could end up being less.
- Do the predictions take inflation into account?
 - No, they did not include inflation. They typically do not. Over time the City's tax rate automatically goes down to account for an increase in assessed values across the City. The City is only allowed to bring in a certain amount of funding, so the tax rate goes down as property values go up. Instead of including an inflator in the property values in the project area, they hold it constant, and allow the deflation of the tax value to occur so it evens out.
- Do we ultimately only pay them what is generated and/or what they document as actual expenses?
 - Yes.
- Baxter Reeser had a question regarding a line item on the reimbursable improvements for a 20 Mil Vapor barrier at \$38 million? It seems like a lot.
 - Keep in mind that it is 14.7 million square feet. Part of this is mitigation to the North Temple landfill. That amount is in line with a project of this capacity.
- Was any analysis done by the Consultant regarding solar panel energy generation? That is a ton of solar panels. Is there a potential that they make money off those solar panels and was that factored into the analysis?
 - They did not provide any comments on money being made by the solar panels in their application.
- Tony Milner asked the Staff if the Developer is currently in compliance with all terms and requirements in their commitments to the City?
 - To our knowledge, they are. They did not report any compliance issues on their application.
- Is it typically the responsibility of the Developer to keep RDA staff informed of compliance issues?
 - We did add a condition to payment on the term sheet that does reference compliance with all regulations regarding construction.
- What kind of studies have been done to understand the impact that all this new development will cause outside of the project area itself?
 - Yes, the Consultant did an analysis that included the impact on the City. They went categorically through different revenue sources but didn't dig into the environmental impacts. However, they did look at the impact of sales tax, franchise tax, roadways, and City expenditures that would be impacted. They do anticipate that it will generate quite a bit of sales tax over time. Additionally, the City is working in conjunction with the Inland Port as well as significant Community and stakeholder groups. Essentially as part of the latest changes to the State law 2 years ago, there is some money set aside to do studies that basically are set to first look at what baseline development would be as well as the impact versus what is the preferred scope of development, as well as what is the impact from that. That looks at everything from transportation to, environmental to, water to, wildlife. The idea is to look at what the overall development is and what that impact would be. There is a certain amount of funds available to mitigate or maintain as necessary.

- Marina asked if the tax increment comes in much lower than expected, what happens to the development? There could potentially be a significant gap in reimbursement.
 - It falls on the developer to be responsible to create the assessed value that would generate the property tax that would then in return reimburse them for that development. So, if they don't build it out to the extent required to get the tax reimbursement they want, it would only sit on them.

Chair Walz reminded the group that the objective of the meeting was to get a recommendation from the Committee to take the RDA Board of Directors for approval. Chair Walz made a request for final questions or comments and requested a motion.

Peter Makowski made a motion to approve the term sheet as presented. Baxter Reeser seconded the motion. Upon Roll call, the motion was passed unanimously.

4. Adjournment

There being no further business the meeting was adjourned.



Danny Walz, Chairperson

This document along with the digital recording constitute the official minutes of the Redevelopment Agency Finance Committee held April 17, 2024.

2024-04-17 FC Minutes FINAL

Final Audit Report

2024-08-15

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