



# Community Reinvestment

*(aka "redevelopment" or "tax increment financing")*



# What is a *Community Reinvestment Agency*?

A **Community Reinvestment Agency (CRA or Agency)** is a legal entity created by a municipality to promote economic development, job creation, redevelopment of underutilized areas, and support public infrastructure and affordable housing through public-private partnerships.

- An Agency acts as a limited-purpose local government entity and serves as a tool to reinvest property tax revenues and other Agency revenues generated from new development back into a specific area. These revenues are called tax increment (TIF)
- Under the act, agencies are allowed to create **Community Reinvestment Areas (CRA or Project Area)**

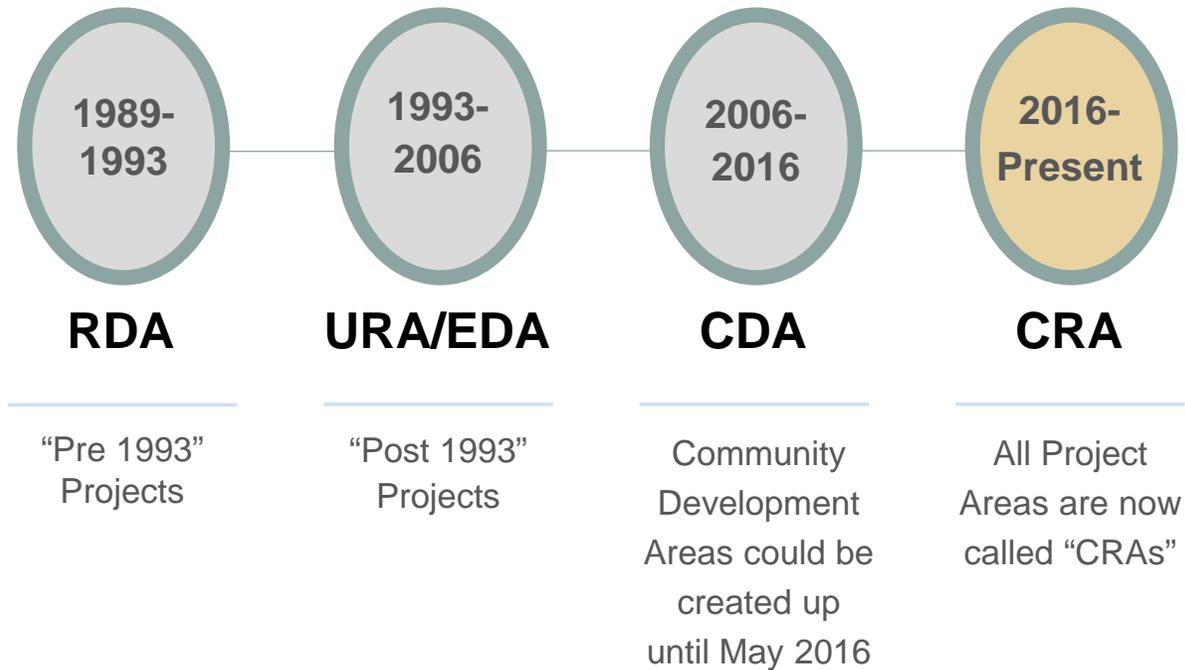


# REVISIONS AND EVOLUTION OF PROJECT AREA ECONOMIC DEVELOPMENT TOOLS

## RDA: 1989-Present

**Redevelopment Agency:** Purpose is to facilitate private investment in development and redevelopment efforts in designated areas

As of 2017, only CRAs can be created. Project areas created before 2017 and that were established as a URA, EDA, or CDA can still be active today and are governed under the requirements of their respective Project Area types until they expire.





# TAX INCREMENT (TIF)

- **Not the result of a tax increase!**
- Property taxes “frozen” the creation year of the project (“base year”)

**Tax Increment** means the difference between:

- The amount of property tax revenue generated each tax year by a taxing entity, using the current assessed value of the property and each taxing entity's current certified tax rate; and
- The amount of property tax revenue that would be generated from that same area using the base taxable value of the property and each taxing entity's current certified tax rate.

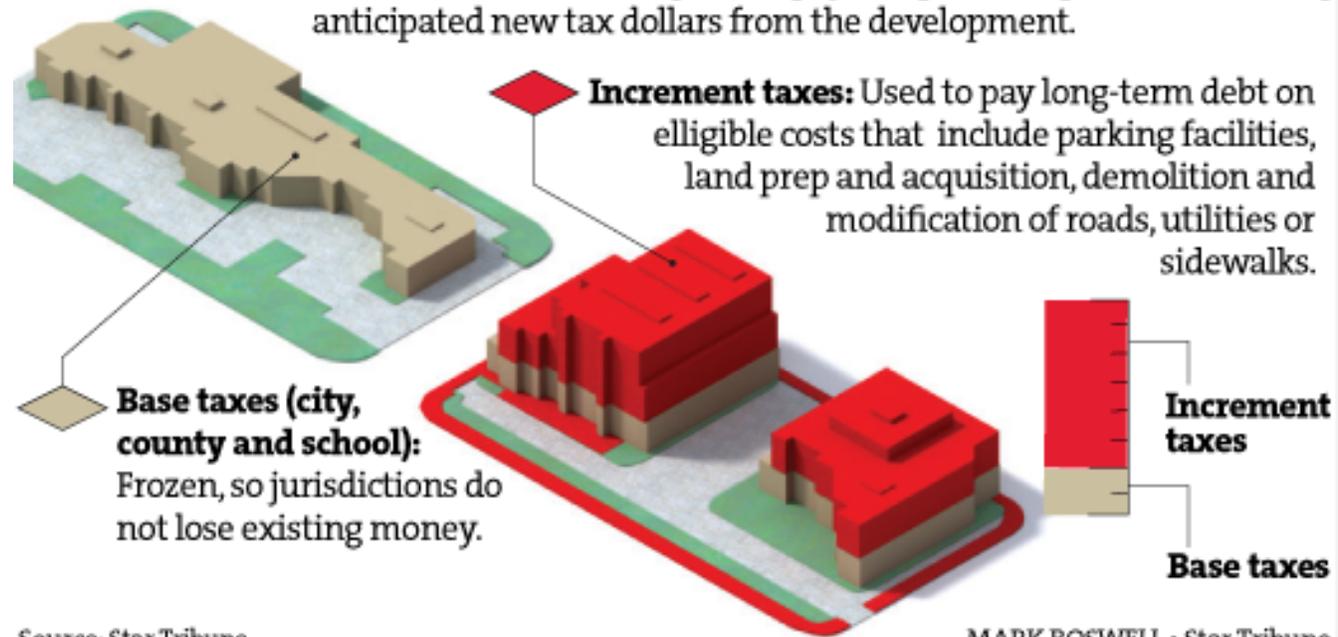
Taxing entities entitled to property tax increment agree to rebate a percentage of their increment (this percentage is commonly referred to as the taxing entities' Participation Rate) back to the new development for a specified period of time to incent the development to occur.



# TAX INCREMENT FINANCING

## TAX INCREMENT FINANCING

Tax increment financing, or TIF, pays for public improvements using anticipated new tax dollars from the development.



Source: Star Tribune

MARK BOSWELL • Star Tribune



# Development and Tax Increment





# TAX INCREMENT EXAMPLE

## Example Tax Increment Calculation



Current  
Assessed  
Value:  
\$5,000,000

Current Assessed Value:	\$5,000,000
Less Base Year Value:	<u>\$1,000,000</u>
Marginal Value:	\$4,000,000

City Certified Tax Rate: .001324

Marginal Value X Certified Tax Rate  
 $\$4,000,000 \times .001324 = \$5,296$

City Participation Rate: 75%

$\$5,269 \times 75\% = \underline{\underline{\$3,972}}$



# PURPOSE OF A CRA IS TO ENCOURAGE COMMUNITY ENHANCEMENT & ASSISTANCE

- If a CRA is established, tax increment funds, or TIF, become available for a specified period to provide assistance for:
  - Existing businesses
  - New development
  - Infrastructure improvements
  - Affordable housing
  - Crime reduction
  - Expanded employment opportunities
  - Other community concerns/priorities



# WHY CREATE A CRA

- Prior to creating a CRA, an agency should conduct a justification (“but for”) analysis.

“Development within the project area would not occur “but for” the use of TIF funds.”

## Common “But For” Factors

- Type and timing of development
- Extraordinary costs
- Public benefits
- Development Impediments



# UTAH RETAIL PROHIBITION (UTAH CODE 11-41)

In 2022, Utah State Legislature enacted a Prohibition on Retail Facility Incentive Payments. The law prohibits public entities from offering incentives to a facility operated by a business entity for the primary purpose of making retail transactions.

## Exceptions:

- Census tract areas where median income is below 70%
- Development includes housing
  - One housing unit per 1,250 square feet of retail space
  - 10% of new units must be moderate-income housing
- 4<sup>th</sup>, 5<sup>th</sup>, and 6<sup>th</sup> class counties
- Facilities for small business (>30 employees) and Utah-based non-profits are exempt



# UTAH RETAIL PROHIBITION (UTAH CODE 11-41) – CONT.

**Bill does not prohibit payments for:**

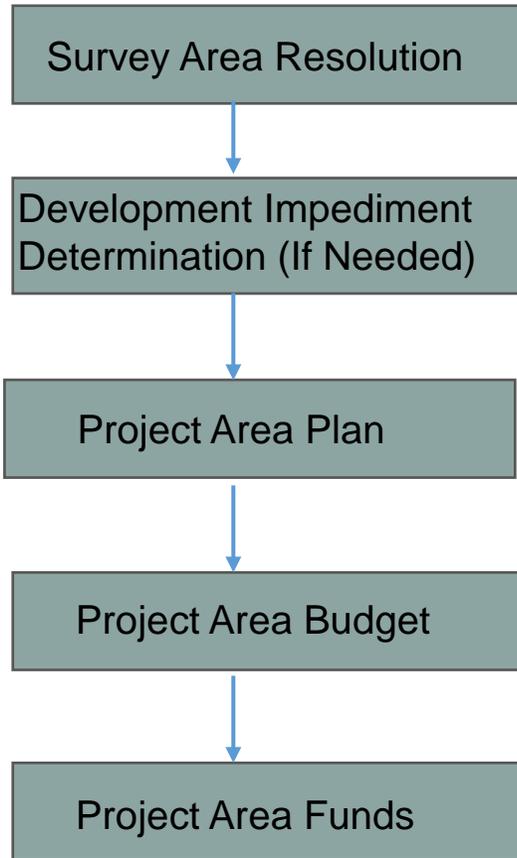
- Public infrastructure
- Structured parking
- Demolition of existing facility
- Assistance under a state or local:
  - Main Street Program
  - Historical Preservation Program
- Environmental mitigation or sanitation
- Assistance under a water conservation or energy efficiency program
- Emergency aid or assistance
- Assistance under a public safety or security program

**Law also requires reporting requirements for entities that make certain payments related to retail facilities during a fiscal year.**



# CRA PROCESS MAP

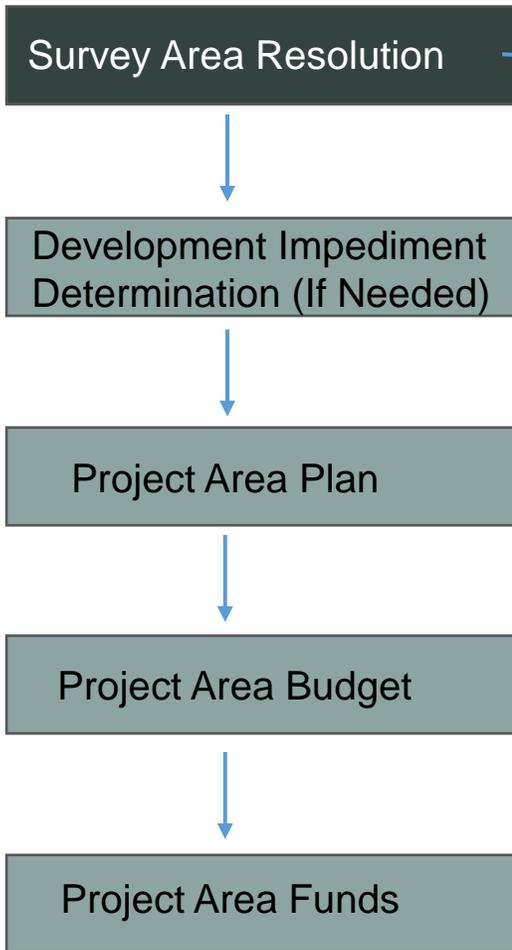
## CRA Creation Process Map



- A city creates a community reinvestment agency. Once the agency is created, it is organized to manage project areas.
- CRA creation process typically takes 120-180 days.
- Process includes mandatory public hearing notice periods (30-days).
- Creation timeframe heavily dependent on negotiations with taxing entities that levy a tax within the project area boundaries.



# CRA PROCESS MAP

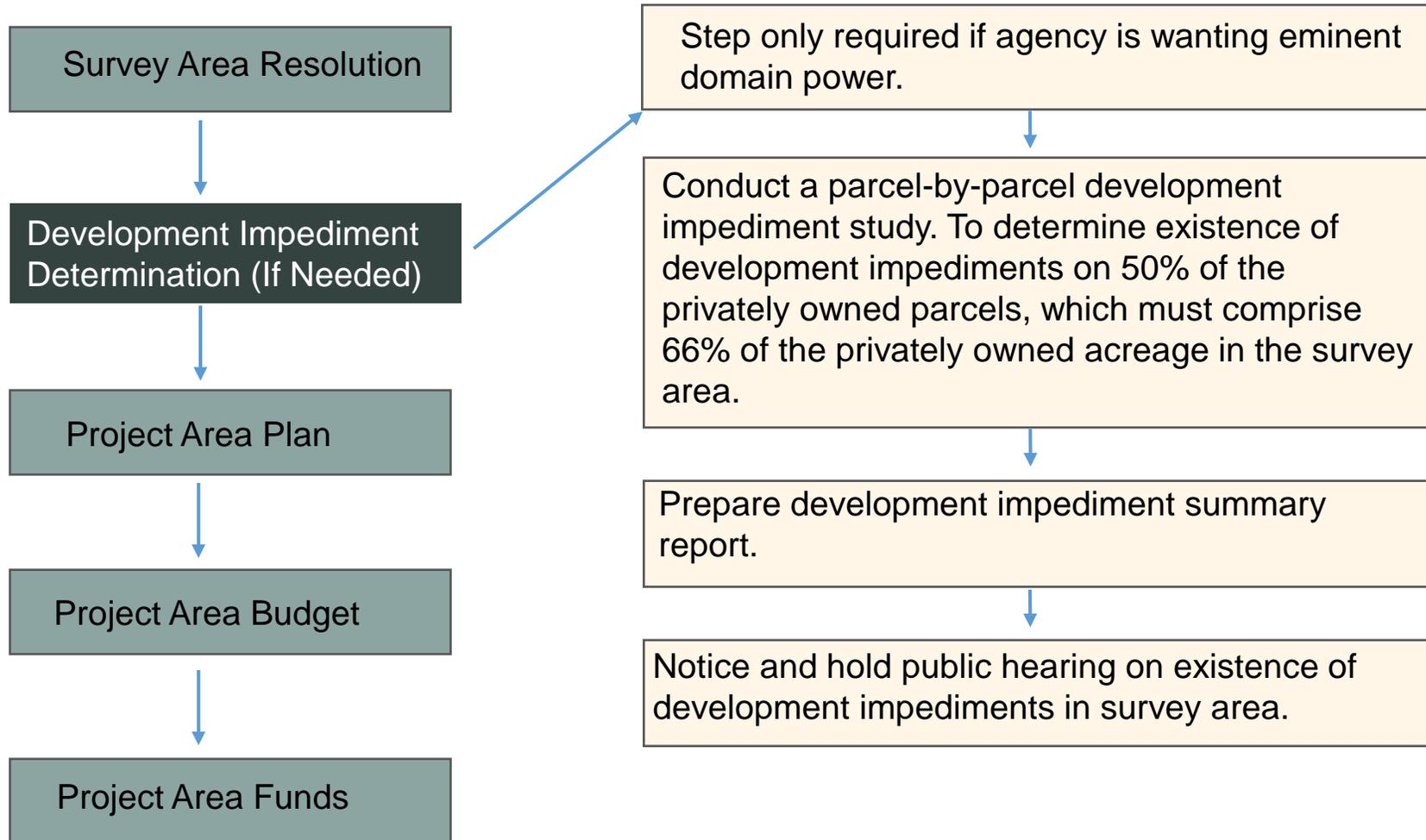


An agency board initiates the process of adopting a community reinvestment plan by adopting a survey resolution. This survey resolution must contain a map of the potential boundary area. This resolution enables agency to draft CRA Plan and Budget.



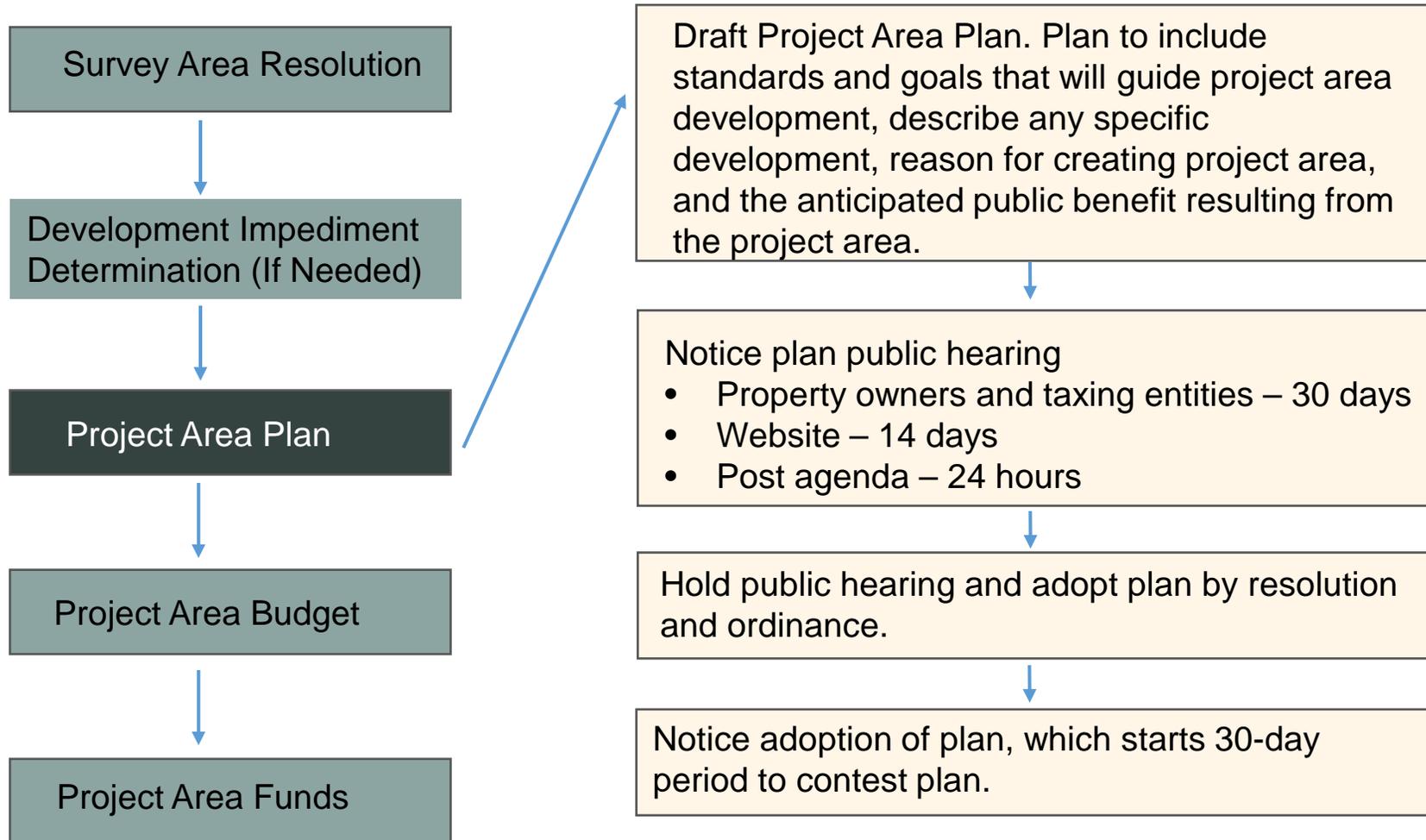


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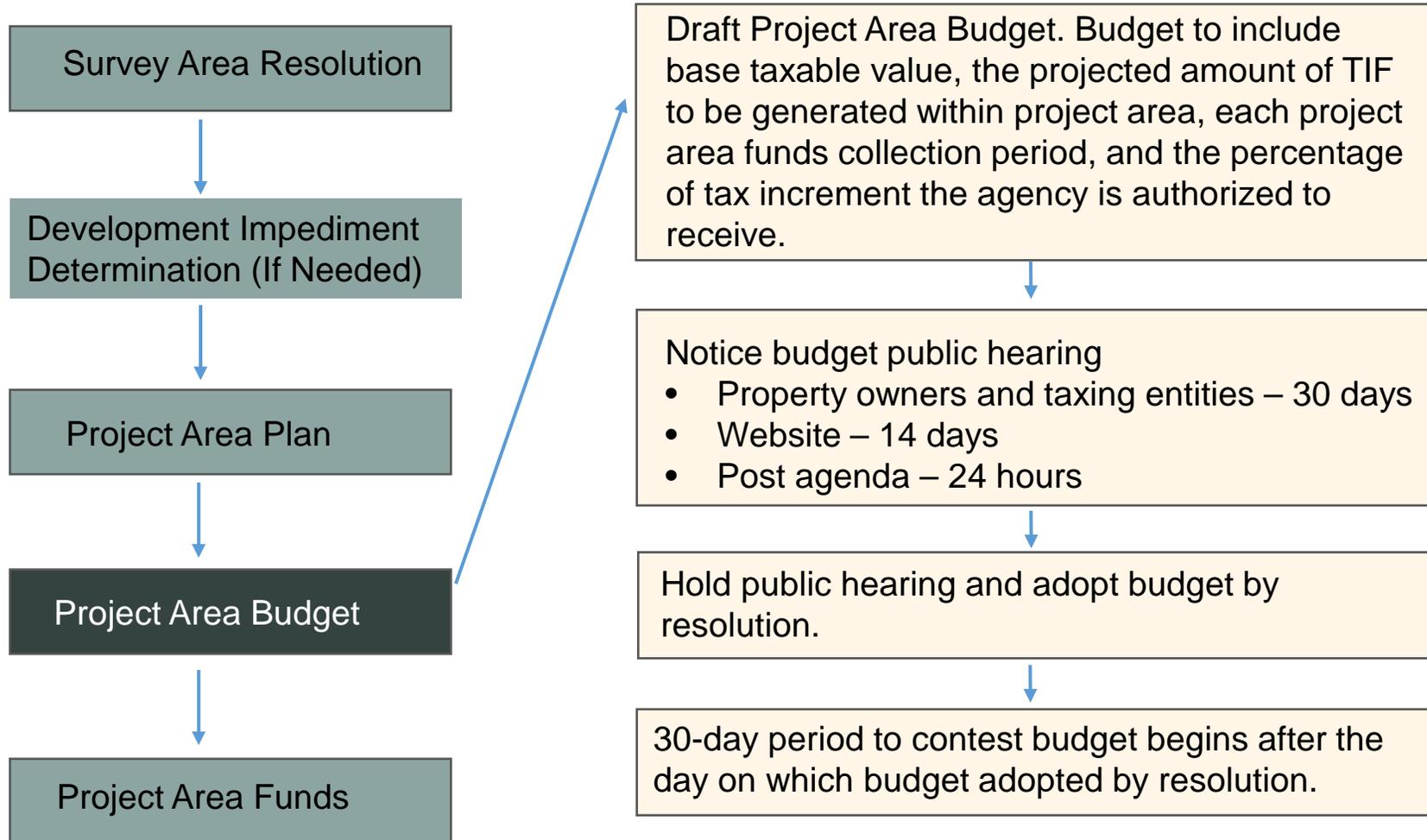


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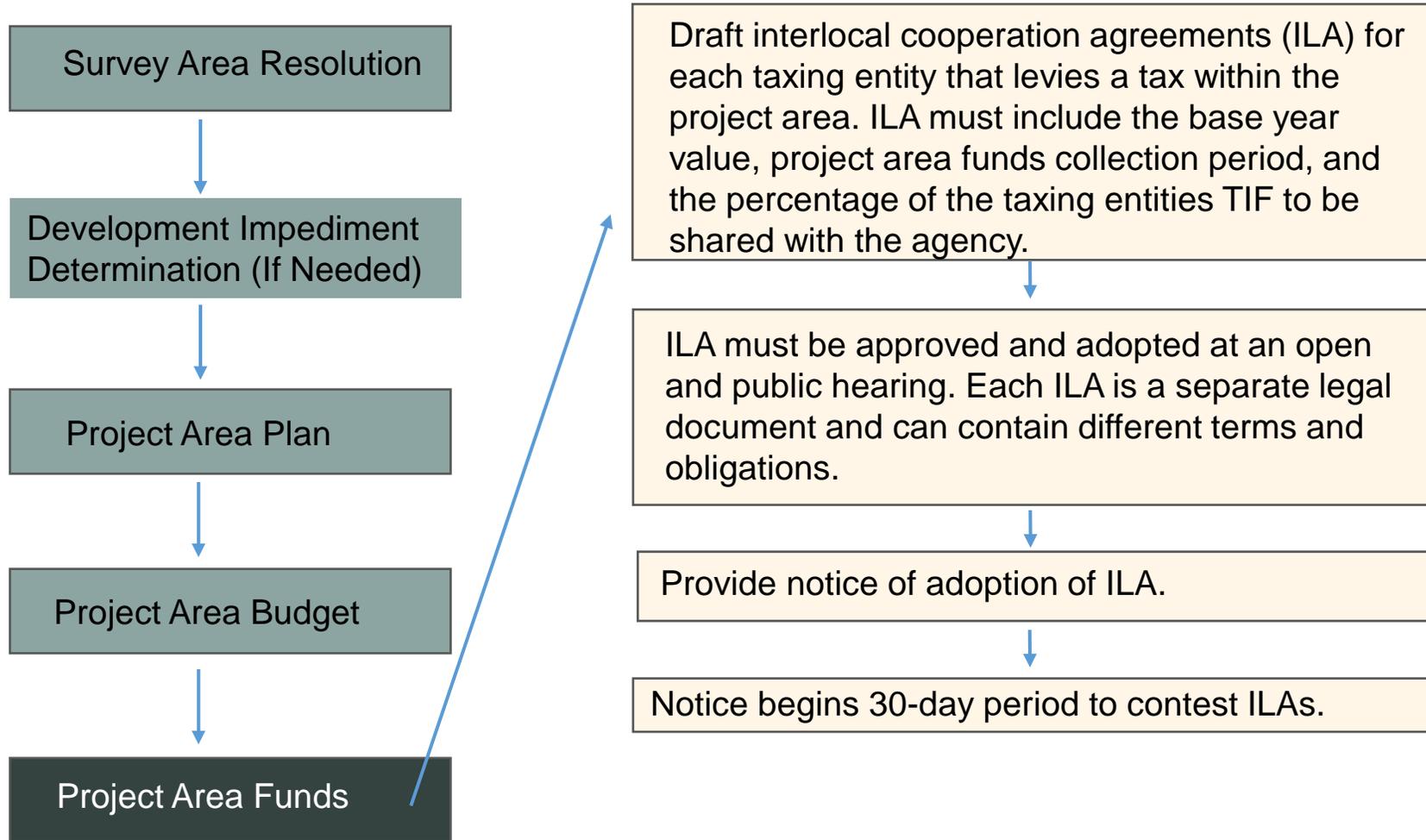


# CRA PROCESS MAP





# CRA PROCESS MAP





# Tax Increment Sharing

Community Reinvestment Project Area (“regular” - no eminent domain):

- Each Taxing Entity decides whether to participate
- Get participation from all, some, or even one Taxing Entity
- Can establish different terms for each (percentage, years)
- Participation governed by interlocal agreements between Agency and Taxing Entities
- Participating Taxing Entities must consent to CRA Budget (but Budget doesn't govern increment sharing)



# Other TIF Concepts

- HTRZ High Density Transit Reinvestment Zone
- TRZ Transit Reinvestment Zone
- EDTIF Available for companies expanding in targeted industries in urban counties.
- Other incentives passed in 2024 legislation (FIZ, etc.)
- Word of CAUTION
  - STATE LEGISLATURE AND DEVELOPERS ARE TRYING TO UTILIZE TAX INCREMENT FINANCING AS A TOOL TO DEVELOP PROJECTS. THIS IS STILL TAX DOLLARS FUNDING PROJECTS THAT ARE FINITE, MEANING THERE ARE ONLY SO MUCH TO GO AROUND.



# Questions