

SOUTH SALT LAKE REDEVELOPMENT AGENCY

T AX INCREMENT REIMBURSEMENT POLICY

**1-GENERAL**

**1.1 Mission**

The RDA Tax Increment Reimbursement Program (“Program”) may provide project developers a tax increment reimbursement (“Reimbursement”) for the development of improvements in a RDA project area that meets the goals and objectives of the RDA’ project area plans and provide significant public benefit, the development of public improvements that will benefit South Salt Lake City, or for the development of improvements that will achieve the economic goals established by South Salt Lake City. The program is designed to provide reimbursement that are calculated using the Salt Lake County’s assessed value. The developer will receive a percentage of the tax increment generated from its project for a specified timeframe, and the RDA will receive the residual tax increment generated by the project

**1.2 Authorization**

A reimbursement shall only be given by the RDA pursuant to a Participation and Reimbursement Agreement (“Agreement”) approved by the Board. The board shall reserve the right to deny a tax increment reimbursement application at any time for any reason. Any approval of an Agreement shall be made by resolution, which shall include the terms of the Agreement.

**1.3 Reimbursement Categories**

**Reimbursement:**

**a. Project Area Development.**

Projects that are located within a previously established RDA project area that achieve the RDA’s project area development goals as defined in the project area plan.

**b. Specific-Project Creation Area**

Projects that are located within South Salt Lake City’s municipal boundaries that meet the criteria outlined in the mission of the Program. A specific -RDA project shall only be eligible for Reimbursement if the RDA Board authorizes creation of a specific-RDA project

## 1.4 Maximum Tax Increment Calculation

The formula to calculate the potential maximum total tax increment reimbursement generated from the proposed improvements shall be as follows:

**a. Step 1: Calculate the Total Annual Tax Increment.**

i. The difference between the base value of the proposed project prior to improvements and the estimated new growth in taxable value resulting from the improvements.

**( New Growth-Base Year)**

ii. Multiplied by the current effective tax rate.

**( New Growth - Base Value) x (Effective Tax Rate) = Total annual TI**

**b. Step 2: Calculated the Annual Tax Increment Collected by the RDA**

i. Total Annual TI multiplied by the percentage of TI collected and retained from the taxing entities by the RDA.

**( Total Annual TI) x ( % of TI collected by the RDA) = Annual TI Collected by the RDA**

**c. Step 3: Calculate the 1<sup>st</sup> Year Developers Allocation**

i. **(Annual TI Collected by the RDA) x (Participation Rate)= Estimate Year 1 TI Allocation**

Refer to sections 2 and 4 for more information on calculating the participation rate between the RDA and the developer.

**d. Step 4. Calculate the Maximum Amount of Tax Increment Available to the Developer Over the Term of the TI Reimbursement Agreement:**

**( Estimated Year 1 Tax Increment Reimbursement to Developer) x (The term of the Reimbursement Agreement) = Total Developer Tax Increment Available Over the**

**Term.** An annual multiplier based on current economic conditions may be applied To this calculation.

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

## 1.5 Eligible Costs

The Tax increment reimbursement will be limited to funding hard construction costs, site improvements , and public infrastructure. Use of funds for environmental remediation or

Demolition shall be required on a case-by-case basis. The RDA may determine if the entire project or only specific project elements are eligible.

### **1.6 Design Requirements**

Projects approved for tax increment reimbursement must comply with all adopted design guidelines approved by the city that are applicable for the project area. Projects are required to be in conformance with all South Salt Lake City policies, ordinances, and codes. The RDA Board may request a review of the development plans, and design, prior to a final determination of the tax increment reimbursement agreement.

## **2. REQUIREMENTS AND STRUCTURE: PROJECT AREA DEVELOPMENT**

### **2.1 Scope**

Any Agreement authorized for a project that is in the Project Area Development category will meet the following requirements.

### **2.2 Threshold Requirements**

Projects must meet the following requirements:

- a. Projects shall achieve a minimum of a) align with the RDA's project area plan in the applicable RDA project area, and; b) meet at least one of the following Public Benefit criteria: sustainability, Public Amenities, Adaptive Reuse, Historic Preservation, Permanent Job creation/Retention, Architecture/Urban Design, Economic Impact, Affordable Housing.
- b. The applicant must provide sufficient evidence that tax increment funding is necessary for the project to succeed and to verify that the request is reasonable. The request and evidence will be verified by the RDA .
- c. The proposed project must involve significant private investment to assure adequate yield of tax increment.

### **2.3 Eligible Project locations**

Eligible projects shall be in a tax increment collection area within an active RDA project area that allows tax increment reimbursements pursuant to the project area plan.

### **2.4 Maximum Reimbursement Term**

The maximum reimbursement term shall be the sum of the remaining operating years of the project area.

## **2.5 Participation Rate**

The participation rate shall be determined by the participation percentage approved by the taxing entities for the project area.

## **3. REQUIREMENTS AND STRUCTURE : SPECIFIC PROJECT AREA CREATION**

### **3.1 Scope**

Any Agreement authorized for a Specific Project Area Creation will meet the following requirements.

### **3.2 Process**

The RDA Board may create a Community Reinvestment Area ( "CRA") for a developer, property owner, or business who owns property within the boundaries of South Salt Lake City ("Applicant") The proposal shall achieve the goals outlined in the mission section, in order to be considered for a CRA creation. Upon creation of the CRA, the Applicant may become eligible for tax increment reimbursement, as outlined in Section 3.4. The RDA shall seek the City's participation as a taxing entity for the CRA, subject to the City Council's approval, and the RDA may also seek participation in the CRA from non-city taxing entities. The creation for the CRA, is subject to the Applicant meeting all requirements Evaluation and Approval section of this policy.

### **3.3 Threshold Requirements**

The Applicant seeking a Specific Project Area CRA and related Agreement must achieve the following threshold requirements to receive a tax increment reimbursement pursuant to this section;

- a. The Applicant must commit to invest a minimum \$10 million in private capital expenditures into the project.
- b. The Applicant must demonstrate that the proposed development meets one of the objectives identified in the mission section of this policy.
- c. The Applicant must demonstrate that the tax increment reimbursement is necessary for the project to succeed.
- d. If the Specific Project Area CRA is to assist an existing business to expand, the business must remain and expand in South Salt Lake and demonstrate the project will result in job retention/ or job creation. One of the following job creation/retention standards must be achieved:
  - i. The minimum creation of one (1) full time equivalent permanent job ( created or retained ) per \$50,000 of eligible tax increment.

- ii. The creation or retention of jobs at an aggregate of 125% of the average Salt Lake County wage.

Once RDA staff has confirmed that the Applicant meets the threshold requirements for the tax increment reimbursement listed above, the Applicant may proceed to submit the required application for review and finalization pursuant to this policy.

### **3.4 Maximum Reimbursement Term**

The maximum reimbursement term shall be 20 years for Agreements eligible for projects approved under the Specific Project Area Creation category.

### **3.5 Participation Rate**

South Salt Lake City's participation rate shall be determined by the level of economic and public benefit provided by the project, as determined in the evaluation and application review process. The standard participation rate is 50%, and the maximum participation is 75%. increases in the participation rate may be obtained based on the projects ability to meet the items identified in the mission statement, and the return on investment received by the RDA / City from the development, as determined by the economic benefit analysis performed for the project.

## **4. EVALUATION AND APPROVAL PROCESS**

4.1 An agreement under the Project Area Development category will be evaluated and processed as described in Section 4.2. An Agreement eligible under the Specific Project Creation category will be evaluated and processed as described in section 4.3

### **4.2 Project Area Development**

#### **Step 1: Application Processing and RDA Staff Review**

All applications shall be made to the RDA staff, on a standard form provided by the RDA. All applications must be complete to be evaluated, and if either the applicant or proposed project fails to demonstrate the ability to meet application requirements, RDA staff may deny the application

#### **Step 2: RDA Finance Committee Review**

RDA staff shall forward the complete application 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.

### **Step 3: Adoption of the Tax Increment Reimbursement Agreement Terms**

Upon review of the application and supporting material, the Board shall consider for approval a resolution that approves the Agreement terms.

### **Step 4: Agreement Finalization**

Once the terms of an agreement have been authorized by the Board, The RDA and developer shall execute an Agreement.

## **4.3 Specific Property Creation**

### **Step1: Application Processing and RDA Staff Review**

All applications shall be made to RDA staff on the standard RDA forms. All applications must be complete to be evaluated and if either the applicant or proposed project fails to demonstrate the ability to meet application requirements, RDA staff may deny the application.

### **Step 2: Small Group Meetings.**

If the proposed application meets the RDA staff's initial evaluation criteria, RDA staff will schedule small group meetings with the Board to provide Board members with an overview of the proposed project, anticipated economic and public benefits, proposed return on the tax increment requested; and identification of any public costs the project may impose on the city. If Board members are generally supportive of the proposed project, the Board will schedule a public meeting to discuss the proposed project pursuant to Step 3.

### **Step 3: Initiation of a Community Reinvestment Project area Plan**

Upon presentation of the general overview of the proposed project in a public meeting, the board may adopt a resolution initiating a community reinvestment project area plan ("CRA Plan"). The resolution shall designate the geographical area, and authorize the RDA to conduct the required analysis under Utah Code 17C to create a project area. If the Board does not adopt a resolution, the application shall be deemed disapproved.

### **Step 4: Reimbursement Application Evaluation**

RDA staff shall conduct a financial analyst in order to provide a recommendation on 1) the public benefit anticipated to be derived from the proposed project 2) any public costs the project may impose on the City's General Fund 3) determination of financial need and whether or not the proposed project might reasonably occur through private investment without the Reimbursement and 4) the amount of participation that should be provided for the project based on the benefits provided to the RDA and City. If applicable, an analysis of comparable values of equivalent properties, rents, and expenses may be undertaken to ensure the Reimbursement is not being used to reimburse overvalued land costs; and to pay for Inflated developer costs. The financial analysis report shall be provided to the Board

for consideration of the Reimbursement application. The financial analysis may be conducted by a third party, at the discretion of the RDA. The applicant will be informed at the time the application is submitted if a third party will be obtained for the financial review.

**Step 5: RDA Finance Committee Review**

RDA staff shall, after conducting or if a third party is retained receives the financial analysis, shall meet with the RDA Finance Committee to evaluate the application ,supplemental materials, financial analysis, recommended participation amount, and other documentation necessary to conduct a review of the application. Upon completion of the review, the RDA finance Committee shall provide a recommendation, that will be submitted to the Board for their consideration. The RDA Finance Committee shall provide a recommendation of approval or denial of all applications to the Board for consideration.

**Step 6: CRA Plan Creation**

RDA staff shall draft the required components of the CRA plan including a description of project area boundaries, project area activities, conformance with general plan, and anticipated public benefits.

**Step 7: Project Area Budget**

RDA staff shall draft a project area budget, in accordance with the recommended participation rate, and length of time approved by the Board.

**Step 8: Public Comment Period and Public Hearing**

RDA staff shall transmit all relevant information to the Board, including an overview of the project, description of the proposed benefits to the local economy, proposed increases to the assessed property values, summary of the financial analysis, reasons for the selected participation rate of the tax increment, and any potential concerns of the project. Upon receipt of the transmittal, the RDA Board may schedule a public comment period and hearing as required under Utah Code 17C.

**Step 9: Adoption of the CRA Plan and Agreement Terms**

**i. Board**

Either simultaneously or in separate public meetings, the Board may consider the following resolutions: 1) a resolution that approves and adopts the CRA Plan and project area budget, 2) a resolution authorizing an interlocal agreement to facilitate the receipt of project area funds by the RDA, and 3) a resolution that approves the Agreement. If the Board does not adopt one or more of these resolutions, the application shall be deemed disapproved.

In addition, if non-City taxing entities will be participating in the funding of the project area budget, the Board shall consider a resolution authorizing an interlocal

agreement to facilitate the receipt of project funds from the taxing entities that is participating. As statutorily required, a contest period and notice of the CRA plan adoption shall occur.

**ii. City Council**

The City Council may consider for approval an ordinance that approves the CRA plan. In addition, the City council may consider for approval a resolution authorizing an interlocal agreement to facilitate the receipt of project funds by the RDA. If the City Council. If the City Council does not adopt the ordinance and/or resolution, the application shall be deemed disapproved.

**Step 10: Agreement Finalization**

Once the terms of an agreement have been authorized by the Board, the RDA and developer shall execute an Agreement.

**5. AGREEMENT TERMS**

**5.1 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. If 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 being constructed, the RDA will retain the right to consent to the transfer the Agreement to the new owner. This is to ensure that the benefits the RDA anticipated receiving under the original Agreement with the original developer is consistent with the new developer. If the 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 the have applied for a property appeal with Salt Lake County related to the value of the property and



project. If 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 increase, so that the dollar amount payable to the RDA is the same as if no appeal of the assessed value had been made

**c. Recapture Provisions in the Event of Default**

Agreements shall require the recapture of all or a portion of tax increment reimbursement funds allocated to a project that fails to meet its economic or public benefit requirements as provided for in the Agreement.

**d. Participation Reporting Requirements**

Upon project completion, reimbursement recipients shall provide a report that includes the total cost of the project and related improvements, jobs created or retained, summary of the completed improvements, and outcome metrics relating to project-specific requirements as per the Agreement.

**5.2 Interest**

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

**5.3 Reimbursement of RDA Costs**

Once the tax increment reimbursement Agreement has been approved by the Board, the developer shall reimburse the RDA for all costs associated with the review of the application, review and preparation of the items required under the financial review, costs related to the CRA creation, and legal costs associated with the preparation of the participation agreement. An estimated costs of these fees will be provided to the developer during the review of the application. The developer may choose to pay the fee upon the execution of the Agreement, or the fees will be deducted from the first payment of the tax increment. In the event, the first increment payment is inadequate to cover the costs, the balance of the fee will be deducted from the annual payment, until all RDA fees have been collected for the project development.

**6. REPORTING**

**6.1 Reporting**

The RDA staff shall provide a written briefing to the Board on annually, updating the Board on the RDA's reimbursement portfolio. Such briefing shall include a summary of new Agreements, budget impacts, and project metrics.

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