

# **COTTONWOOD MALL PROJECT AREA**



# **BACKGROUND ON TAX INCREMENT FINANCING**

# TAX INCREMENT FINANCING

- Tax increment financing (TIF) is a public financing tool that local municipalities use to incentivize private development in certain areas within their jurisdiction called “project areas.”
- After a project area is created, the redevelopment agency that created the project area is entitled to receive all or a portion of the tax increment dollars generated from the project area for a specified period of time (usually 15 to 20 years).
- Tax increment dollars are property tax dollars received above and beyond an established baseline level of property taxes—typically, the level of property taxes generated from the project area prior to creation of the project area.
- The redevelopment agency can then use the tax increment dollars it collects from the project area to incentivize development within the project area, which typically increases property values and, in turn, the total amount of property tax revenues generated from the project area.

# TIF

- After expiration of the tax increment collection period, the tax increment dollars that previously flowed to the redevelopment agency will flow to the taxing entities that levy the property taxes within the project area. In most cases, taxing entities receive more property tax revenues annually following expiration of the tax increment collection period than before as property values are likely to have increased significantly through the redevelopment process.
- Redevelopment projects are commonly used for land purchases, installing infrastructure, financial incentive agreements, property tax rebates, and more.

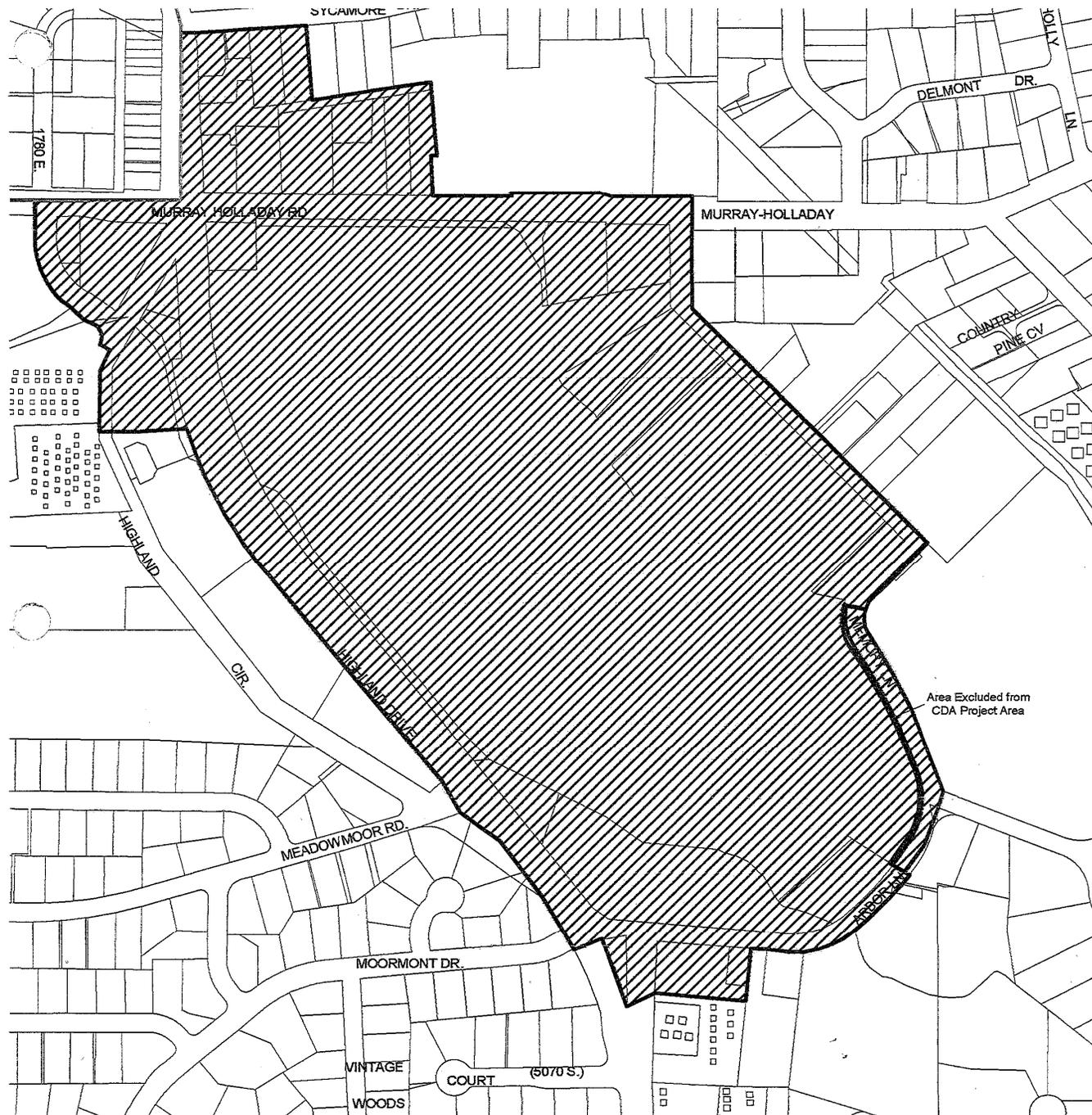
# CITY OF HOLLADAY PROJECT AREAS

<b>Project Name</b>	<b>Project Type</b>	<b>Acr es</b>	<b>1<sup>st</sup> Year of Increment</b>	<b>Cumulative TIF Received by Agency</b>
<b>Olympus (Millrock)</b>	<b>EDA</b>	<b>31</b>	<b>2006</b>	<b>\$9,963,523</b>
<b>Village Center</b>	<b>RDA</b>	<b>43</b>	<b>2008</b>	<b>\$751,073</b>
<b>Cottonwood Mall</b>	<b>URA</b>	<b>65</b>	<b>2017</b>	<b>\$0</b>

# HOLLADAY TIF FACTS

- Holladay has three redevelopment project areas that cover 139 of 3,392 total acres
  - Salt Lake City, South Jordan, South Salt Lake, West Jordan, and West Valley City have 10+ redevelopment project areas
- Holladay has received \$10,714,596 in cumulative tax increment
  - Salt Lake City has received more than \$596 million in cumulative tax increment
  - All project areas combined in Salt Lake County have received more than \$1.14 billion in cumulative tax increment from more than 120 project areas covering 12,000 acres

**CREATION OF  
COTTONWOOD MALL  
URBAN RENEWAL  
PROJECT AREA**



COTTONWOOD  
MALL URBAN  
RENEWAL  
PROJECT  
AREA

# HOW WAS THIS PROJECT AREA CREATED?

Under Utah law, **City Council** can create a  
Redevelopment Agency, or RDA

**RDA** is a separate legal entity – however, the RDA  
Board is composed of **City Council** members

Creation of a project area within the RDA required  
approval of the **Taxing Entity  
Committee (TEC)**

# KEY PROVISION OF TEC RESOLUTION

- TEC Committee approved a plan and budget for the project area in 2007/2008.
  - Budget commits 75% of property tax increment from ALL taxing entities that assess property tax at the site to the RDA.
- TEC includes several conditions, including:
  - Holladay commits 75% of its point of sale sales tax to project area expenses
  - When property and sales tax increment equal \$122.5 Million, no further contribution from any entity is required.
  - 100 units of affordable housing @ 80% of AMI must be created in Holladay.
  - Maximum contribution of property tax increment from all parties is \$96.3 million.
  - TEC committed to a 20 year tax increment. Originally scheduled to begin between 2011 and 2013, it was extended to 2017. Increment clock has already been “triggered”.

# WHAT HAPPENS NEXT?

- Key provisions of the TEC resolution remain in place
- Budget approved by the TEC remains in place as a maximum investment of tax increment resources.
- Based on revised proposal, RDA is not likely to receive amount of increment originally envisioned that would result in maximum investment.
- Increment projections based on current assumptions will follow this presentation.

**AGREEMENT FOR THE  
DEVELOPMENT OF LAND  
(ADL)**

# HOW WAS THIS ADL CREATED?

Under Utah law, **City Council** can create a  
Redevelopment Agency, or RDA

**RDA** is a separate legal entity – however, the RDA  
Board is composed of **City Council** members

Creation of a project area within the RDA required approval of  
the **Taxing Entity Committee (TEC)**

RDA enters into an **ADL** with developer , which sets  
parameters for increment

# KEY PROVISIONS OF THE EXISTING ADL

- 20% of all property tax received by the RDA, until it reaches \$500,000, retained by the RDA for affordable housing purposes.
- 100% of available property tax increment (75% of overall property tax increment) paid to developer.
- 2.5% of all property tax received by the RDA retained for administrative purposes.
- 100% of available sales tax increment (75% of point of sale sales tax in excess of 2007 base year) paid to the developer.

# KEY ADL CONDITIONS

- In order to qualify for the for the payment of increment, developer must:
  - Meet a minimum investment amount in the site (\$226m)
  - Complete a number of site, infrastructure and investment improvements, with minimums for residential, office and retail.
  - Limitation on payment of subsidy based on progress
  - Incentive for the development of at least 134 housing units, full subsidy reached at 300 units.
  - Spend \$1.5 million on residential units that affordable to households at 80% of AMI
  - Developer pays City up to \$5 million for public improvements – beyond \$5 million, City pays developer interest for the amount beyond \$5 million at 7% interest.
  - Police and Fire Impact Fees are assessed – sewer and parks fees are reduced or credited.

# WHAT HAPPENS NEXT?

- RDA Board will consider revisions to the ADL.
  - Jon Springmeyer will review potential increment generation numbers with the RDA Board.
  - The City Council will separately consider information on demographic changes and City costs.
- Public Hearing on ADL likely to occur February 8.
- Possible Considerations:
  - Infrastructure
  - Affordable housing requirements
  - Sales tax and property tax increment shares
  - Project area vs. project site language
  - Impact fees
  - Commercial vs. residential incentives

# OTHER CONSIDERATIONS

- In October of 2017, RDA Board expressed continued support for an increment sharing agreement, if a amendment to the Site Development Master Plan (SDMP) is approved.
- Ivory Development has suggested a number of revisions to the existing ADL – staff and attorney discussion of those and other revisions as may be supported by the RDA Board is planned.