



RDA TIR

TAX INCREMENT REIMBURSEMENT PROGRAM

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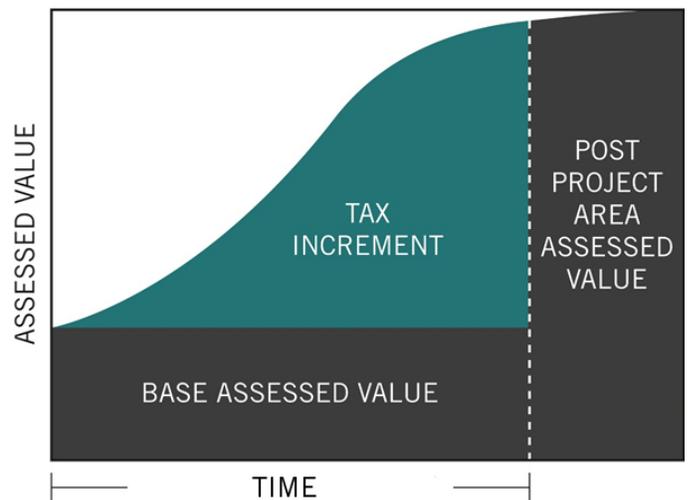
TAX INCREMENT REIMBURSEMENT: SINGLE-PROPERTY CRA FAQ - FREQUENTLY ASKED QUESTIONS

HOW CAN IT BE USED AS AN ECONOMIC DEVELOPMENT TOOL?

Tax increment reimbursements as facilitated through a Single Property Community Reinvestment Area (“Single Property CRA”) can be a powerful tool for business retention and expansion by providing assistance to a business that is already an established part of Salt Lake City’s economic base. The tool can be used not only to improve existing facilities to retain jobs, but also to expand facilities to create additional jobs.

HOW DOES IT WORK?

By establishing a Single Property CRA, the RDA is able to capture future property tax growth, or tax increment, generated from a project located outside of a current project area. If the CRA is successfully established, the RDA is able to enter into a tax increment reimbursement agreement to provide an economic incentive to a project that would not otherwise occur. Projects are eligible for a tax increment reimbursement only after fully funding the capital costs to improve the property and generating sufficient tax increment.



WHAT ARE THE PROJECT REQUIREMENTS?

To be eligible for a Single Property CRA tax increment reimbursement, the project must meet all of the following requirements:

- Invest a minimum \$12 million in capital expenditures into the project
- Demonstrate that it is an existing Salt Lake City-based business
- Result in a business improving or expanding their existing Salt Lake City facility, or relocating to an improved/larger facility within the city
- Result in job retention and/or job creation
- Demonstrate that the tax increment reimbursement is necessary for the project to succeed
- Employ sustainable construction practices

TAX INCREMENT REIMBURSEMENT: SINGLE-PROPERTY CRA

EXAMPLE PROJECT: "COMPANY X"

EXISTING BUSINESS

"Company X" is a Salt Lake City-based biotechnology company that currently provides 300 jobs within an owner-occupied facility that has an assessed value of \$20 MM.

PRE-IMPROVEMENT VALUE
\$20 MM

EXPERIENCING GROWTH

Company X has outgrown their facility and is looking to either move locations or expand their existing facility. They anticipate providing 300 new jobs over the next two years, including research, engineering, manufacturing, and production jobs.

NEW JOBS
300 OVER 2 YEARS

PROPOSED FACILITY EXPANSION PROJECT

Based on a development proforma, Company X would need to invest \$15 MM to expand their current facility. They have demonstrated that in order for their project to cash flow, an annual tax increment reimbursement is needed to offset annual debt service and operating expenses.

PROJECT COST
\$15 MM

SINGLE-PROPERTY CRA CREATION & TAX INCREMENT AGREEMENT

As an important component of Salt Lake City's employment base, the RDA has selected to support Company X's project and resulting job creation by establishing a single-property CRA to facilitate a 20-year tax increment reimbursement agreement.

TAX INCREMENT ALLOCATION
COMPANY X: * 0%
ADMIN!: AGE;@9: \$0%

PROJECT IMPLEMENTATION

The following year after Company X successfully implements the project, the assessed value increases to \$32.5 MM, thereby creating \$12.5 MM in tax increment.

NEW TAX VALUE
\$20 MM BASE
\$12.5 MM INCREMENT
\$32.5 MM TOTAL

TAX INCREMENT REIMBURSEMENT: YEAR 1

Based on a \$12.5 MM increase in tax value, the project generates an estimated \$56,500 in tax increment the first tax year after project implementation, of which Company X receives \$45,200 and the RDA receives \$11,300 for administration and housing.

YEAR 1 TAX INCREMENT
COMPANY X: \$&' , \$" 0
RDA: \$##1%" "

TAX INCREMENT REIMBURSEMENT: 20-YEAR TERM

Over the 20-year tax increment agreement term, the project is estimated to generate approximately \$1.375 MM in tax increment, with \$1.1 MM allocated to Company X and \$275,000 retained by the RDA for administration and housing.

20-YEAR TAX INCREMENT
COMPANY X: \$1.# MM
RDA: \$\$)' ,000

Note: Single-property tax increment reimbursement agreements shall be negotiated on a case-by-case basis. Under this hypothetical scenario, Salt Lake City is the only participating taxing entity, the term is 20 years, 100% of tax increment is collected by the RDA, with 80% provided to the project.

Note: If over \$100,000 of tax increment is collected by the RDA annually, 10% must be provided to citywide housing.

Note: The actual total of the tax increment reimbursement is dependent on the increment generated by the project annually. A 2% multiplier was used to calculate projections.