

DRAFT PROJECT AREA BUDGET

MILLCREEK CENTER COMMUNITY REINVESTMENT AREA (CRA)

MILLCREEK COMMUNITY REINVESTMENT AGENCY, UTAH



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**LEWIS YOUNG
ROBERTSON & BURNINGHAM, INC.**

GATEWAY PLAZA BUILDING - 41 N. RIO GRANDE, STE 101 - SALT LAKE CITY, UT 84101
(P) 801-596-0700 - (TF) 800-581-1100 - (F) 801-596-2800 - WWW.LEWISYOUNG.COM



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Section 1: Introduction

The Millcreek Community Reinvestment Agency (the “Agency”), following thorough consideration of the needs and desires of the City of Millcreek (the “City”) and its residents, as well as understanding the City’s capacity for new development, has carefully crafted the Project Area Plan (the “Plan”) for the Millcreek Center Community Reinvestment Project Area (the “Project Area”). The Plan is the result of a comprehensive evaluation of the types of appropriate land-uses and economic development opportunities for the land encompassed by the Project Area which includes parcels along both sides of 3300 South, between 900 East to the west and Highland Drive to the east.

The Plan is envisioned to define the method and means of development for the Project Area from its current state to a higher and better use. The City has determined it is in the best interest of its citizens to assist in the development of the Project Area. This **Project Area Budget** document (the “Budget”) is predicated upon certain elements, objectives and conditions outlined in the Plan and intended to be used as a financing tool to assist the Agency in meeting Plan objectives discussed herein and more specifically referenced and identified in the Plan.

The creation of the Project Area is being undertaken as a community reinvestment project pursuant to certain provisions of Chapters 1 and 5 of the Utah Community Reinvestment Agency Act (the “Act”, Utah Code Annotated (“UCA”) Title 17C). The requirements of the Act, including notice and hearing obligations, have always been observed throughout the establishment of the Project Area.

Section 2: Description of Community Development Project Area

The Project Area includes parcels along both sides of 3300 South, between 900 East to the west and Highland Drive to the east. The Project Area is comprised of approximately 164 acres of property.

A map of the Project Area is attached hereto in **EXHIBIT A**.

Section 3: General Overview of Project Area Budget

The purpose of the Project Area Budget is to provide the financial framework necessary to implement the Project Area Plan vision and objectives. The Project Area Plan has identified that tax increment financing is essential to meet the objectives of the CRA Project Area. The following information will detail the sources and uses of tax increment and other necessary details needed for public officials, interested parties, and the public in general to understand the mechanics of the Project Area Budget.

Base Year Value

The Agency has determined that the base year property tax value for the Project Area will be the total taxable value for the 2017 tax year which is estimated to be \$171,770,214. Using the tax rates established within the Project Area the property taxes levied equate to \$2,571,400 annually. Accordingly, this amount will continue to flow through to each taxing entity proportional to the amount of their respective tax rates being levied.

Payment Trigger

The Project Area will have a twenty-year (20) duration from the date of the first tax increment received by the Agency. The collection of tax increment will be triggered at the discretion of the Agency prior to March 1 of the tax year in which they intend to begin the collection of increment. The following year in which this increment will be remitted to the Agency will be Year 1, e.g., if requested prior to March 1, 2019, Year 1 of increment will be 2020. The Agency anticipates it will trigger tax increment by March 1, 2019, but in no case will the Agency trigger the first year of tax increment collection after March 1, 2020.

Projected Tax Increment Revenue – Total Generation

Development within the Project Area will commence upon favorable market conditions which will include both horizontal and vertical infrastructure and development. The Agency anticipates that new development will begin in the Project Area in 2019. The contemplated development will generate significant additional property tax revenue as well as incremental sales and use tax above what is currently generated within the Project Area.

Property Tax Increment will begin to be generated in the tax year (ending Dec 1st) following construction completion and Tax Increment will be paid to the Agency in March or April after collection. It is projected that property Tax Increment generation within the Project Area could begin as early as 2020 or as late as 2021. It is currently estimated that during the 20-year life of the Project Area Budget, property Tax Increment could be generated within the Project Area in the approximate amount of \$30.21 million or at a net present value (NPV)¹ of \$19.05 million. This amount is over and above the \$51.43 million of base taxes that the property would generate over 20 years at the \$2,571,400 annual amount it currently generates as shown in Table 4.1 below.

¹ Net Present Value of future cash flows assumes a 4% discount rate. The same 4% discount rate is used in all remaining NPV calculations. This total is prior to accounting for the flow-through of tax increment to the respective taxing entities.

Section 4: Property Tax Increment

Base Year Property Tax Revenue

The taxing entities are currently receiving - and will continue to receive - property tax revenue from the current assessed value of the property within the Project Area (“Base Taxes”). The current assessed value is estimated to be \$171,770,214. Based upon the tax rates in the area, the collective taxing entities are receiving \$2,571,400 in property tax annually from this Project Area. This equates to approximately \$51,428,002 over the 20-year life of the Project Area.

TABLE 4.1: TOTAL BASE YEAR TO TAXING ENTITIES (OVER 20 YEARS)

Entity	Total	NPV at 4%
Salt Lake County	\$6,956,694	\$4,727,187
Salt Lake County Library	1,920,391	1,304,937
Granite School District	26,871,732	18,259,781
Millcreek City	6,912,033	4,696,840
South Salt Lake Valley Mosquito Abatement District	51,531	35,016
Mt. Olympus Improvement District	958,478	651,301
Central Utah Water Conservancy District	1,374,162	933,765
Unified Fire Service Area	6,382,981	4,337,340
Total Revenue	\$51,428,002	\$34,946,167

Property Tax Increment Shared with RDA

All taxing entities that receive property tax generated within the Project Area, as detailed above, will share at least a portion of that increment generation with the Agency. All taxing entities will contribute 80% of their respective tax increment for 20 years. The City, County and the State will **not** contribute any portion of their incremental sales tax to implement the Project Area Plan. Table 4.2 shows the amount of Tax Increment shared with the Agency assuming the participation levels discussed above.

TABLE 4.2: SOURCES OF TAX INCREMENT FUNDS

Entity	Percentage	Length	Total	NPV at 4%
Salt Lake County	80%	20 Years	\$3,269,420	\$2,061,323
Salt Lake County Library	80%	20 Years	902,521	569,027
Granite School District	80%	20 Years	12,628,839	7,962,307
Millcreek City	80%	20 Years	3,248,431	2,048,090
South Salt Lake Valley Mosquito Abatement District	80%	20 Years	24,218	15,269
Mt. Olympus Improvement District	80%	20 Years	450,453	284,005
Central Utah Water Conservancy District	80%	20 Years	645,811	407,175
Unified Fire Service Area	80%	20 Years	2,999,793	1,891,328
Total Sources of Tax Increment Funds			\$24,169,487	\$15,238,525

Uses of Tax Increment

“But-for” the creation of the CRA and public participation, the costs associated with creating a city center, including: land assemblage, parking structures, site improvements, etc. will be too high and the land within the Project Area will remain in its current state.

The Agency will use 5% of the tax increment to administer the CRA. Most of the remaining tax increment collected by the Agency will be used to overcome the obstacles outlined above (85%). Including: offsetting certain on-site public infrastructure costs, development incentives, Agency requested improvements and upgrades, desirable Project Area improvements, and other redevelopment activities as approved by the Agency. The remaining 10% will go towards affordable housing, as required by the Act.

TABLE 4.3: USES OF TAX INCREMENT

Uses	Total	NPV at 4%
Redevelopment Activities	\$20,544,064	\$12,952,746
CRA Housing Requirement	2,416,949	1,523,852
Project Area Administration	1,208,474	761,926
Total Uses of Tax Increment Funds	\$24,169,487	\$15,238,525

A multi-year projection of tax increment is including in **EXHIBIT B**.

Total Annual Property Tax Revenue for Taxing Entities at Conclusion of Project

As described above, the collective taxing entities are currently receiving approximately \$2,571,400 in property taxes annually from this Project Area. At the end of 20 years an additional \$1,973,124 in property taxes annually is anticipated, totaling approximately \$4,544,524 in property taxes annually for the area. “But for” the assistance provided by the Agency through tax increment revenues, this 77 percent increase in property taxes generated for the taxing entities would not be possible.

TABLE 4.4: TOTAL BASE YEAR AND END OF PROJECT LIFE ANNUAL PROPERTY TAXES

Entity	Annual Base Year Property Taxes	Annual Property Tax Increment at Conclusion of Project	Total Annual Property Taxes
Salt Lake County	\$347,835	\$266,905	\$614,740
Salt Lake County Library	96,020	73,679	169,699
Granite School District	1,343,587	1,030,980	2,374,567
Millcreek City	345,602	265,192	610,794
South Salt Lake Valley Mosquito Abatement District	2,577	1,977	4,554
Mt. Olympus Improvement District	47,924	36,774	84,698
Central Utah Water Conservancy District	68,708	52,722	121,430
Unified Fire Service Area	319,149	244,894	564,043
Total Revenue	\$2,571,400	\$1,973,124	\$4,544,524

Section 5: Cost/Benefit Analysis

Additional Revenues

Other Tax Revenues

The development within the Project Area will also generate sales taxes for the City and County.

Table 5.1 shows the total revenues generated by the Project Area. This total includes the anticipated property tax increment and sales and use tax.

TABLE 5.1 TOTAL REVENUES

Entity	Property Tax	Sales Tax	Total Incremental Revenues
Salt Lake County	\$4,086,774	\$3,099,993	\$7,186,767
Salt Lake County Library	1,128,152	-	1,128,152
Granite School District	15,786,049	-	15,786,049
Millcreek City	4,060,538	\$1,771,425	5,831,963
South Salt Lake Valley Mosquito Abatement District	30,272	-	30,272
Mt. Olympus Improvement District	563,067	-	563,067
Central Utah Water Conservancy District	807,264	-	807,264
Unified Fire Service Area	3,749,742	-	3,749,742
Total Revenue	\$30,211,858	\$4,871,418	\$35,083,276

Additional Costs

The development anticipated within the Project Area will also likely result in additional general government, public works, and public safety costs. These costs, along with the estimated budget to implement the Project Area Plan, are identified below.

TABLE 5.2 TOTAL EXPENDITURES

Entity	CRA Budget	General Government	Public Works	Public Safety	Total Incremental Expenditures
Salt Lake County	\$3,269,420	\$111,194	-	-	\$3,380,614
Salt Lake County Library	902,521	.2	-	-	902,521
Granite School District	12,628,839	363,950	-	-	12,992,789
Millcreek City	3,248,431	629,126	529,741	954,658	5,361,956
South Salt Lake Valley Mosquito Abatement District	24,218	1,539	-	-	25,757
Mt. Olympus Improvement District	450,453	73,023	-	-	523,476
Central Utah Water Conservancy District	645,811	45,338	-	-	691,149
Unified Fire Service Area	2,999,793	182,521	-	-	3,182,314
Total Expenditures	\$24,169,487	\$1,406,691	\$529,741	\$954,658	\$27,060,576

The total net benefit to the taxing entities of participating in the Project Area is \$8,022,700, with the City's net benefit being \$470,007.

² The Library's General Government expenditure is included in the County's \$111,194 expense.

Exhibit A: Project Area Map





Exhibit B: Multi-Year Budget