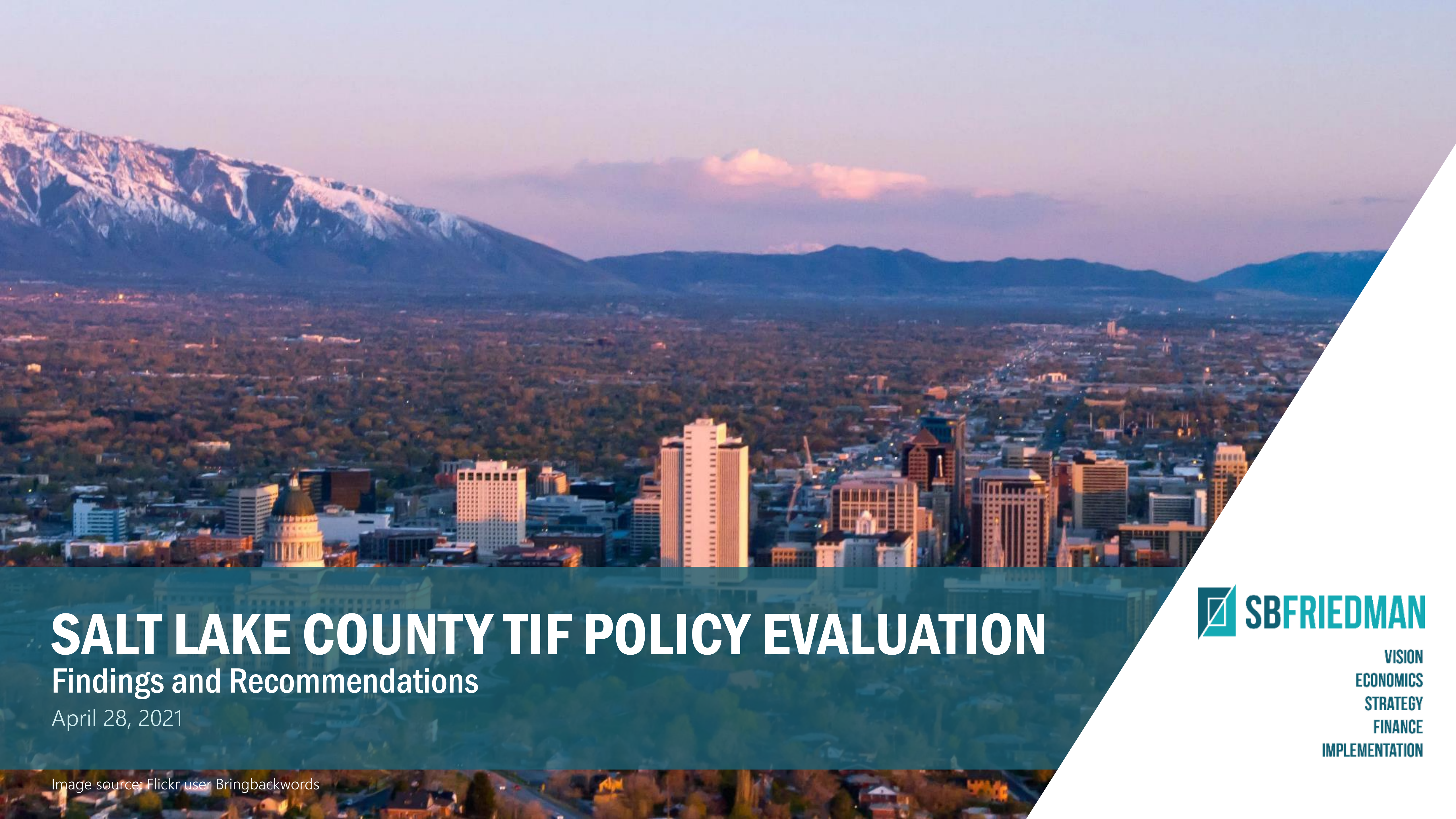


SALT LAKE COUNTY TIF POLICY EVALUATION

Findings and Recommendations

April 28, 2021

Image source: Flickr user Bringbackwords

SBFRIEDMAN

VISION
ECONOMICS
STRATEGY
FINANCE
IMPLEMENTATION

TABLE OF CONTENTS

PROJECT GOALS

SB Friedman Development Advisors (SB Friedman) was engaged by Salt Lake County (the "County") to:

1. Evaluate current policies and practices regarding the use of tax increment financing (TIF) through:
   - Reviewing the County's Policy 1155
   - Reviewing past and proposed Project Areas
   - Interviewing municipalities, organizations and private developers
2. Identify and outline national best practices focused on strengthening "but for" and due diligence analyses during the creation of both larger district improvement and site-based Project Areas
3. Outline a series of recommendations specific to Salt Lake County to improve the participation request review process and strengthen the "but for" argument

A summary of our recommendations is outlined on the next page, with additional detail in the following sections.

SUMMARY OF RECOMMENDATIONS

Establishing best practice due diligence requires a holistic approach

Improve "But For"
- Distress analysis
- Market analysis
- Gap analysis

Clarify the Process
- Establish clear timelines and analytical requirements
- More clearly define eligible project types and expenditures
- Develop a Project Area (PA) scorecard to set expectations

Build Capacity for Jurisdictions to Assess PAs
- Develop sample analyses and templates
- Conduct trainings for staff and/or elected officials
- Partner with others for trainings and/or technical assistance

Collaborate with Taxing Entities and Municipalities
- Convene major taxing bodies to establish common requirements in "but for" analyses
- Build/strengthen partnerships with municipalities

UTAH TIF AND THE NATIONAL CONTEXT

HOW TIF WORKS IN UTAH

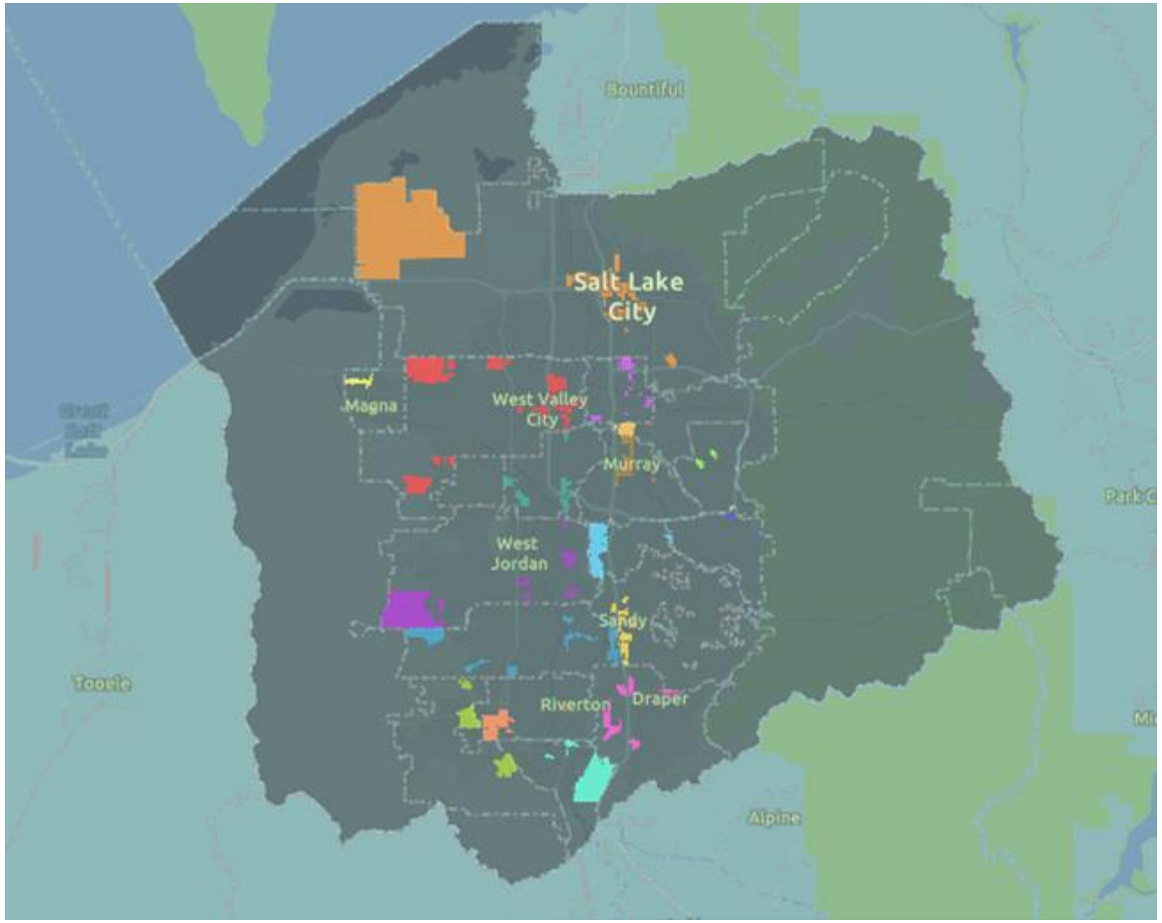
TIF is a broad economic development tool

In Utah, tax increment financing (TIF) can be used for broad economic development and redevelopment activities, provided investments support public purposes defined in statute. Municipalities in Utah therefore depend upon TIF for a range of activities. Prior to establishing a TIF project, municipalities must establish a single entity, commonly called a Redevelopment Agency (RDA) that subsequently establishes and manages all Project Areas ("PAs;" individual TIF districts) within that municipality.

All overlapping jurisdictions that levy a property tax negotiate the extent of tax increment they will contribute to the PA. Many of these jurisdictions have a TIF contribution policy and request additional analysis to understand the potential costs and revenues that PA development may create.

The evolution of TIF in Utah parallels that in many other states. Nationally, TIF was first used as a blight elimination tool. As local economic development needs increased, or municipalities sought more opportunities to reinvest in existing areas, the use of TIF expanded to a range of economic development contexts. Similarly, TIF is used nationally for both individual catalytic sites and for larger districts in need of reinvestment and redevelopment.

Project Areas in Salt Lake County



Source: Salt Lake County

PAs CAN IMPLEMENT MANY ECONOMIC DEVELOPMENT GOALS

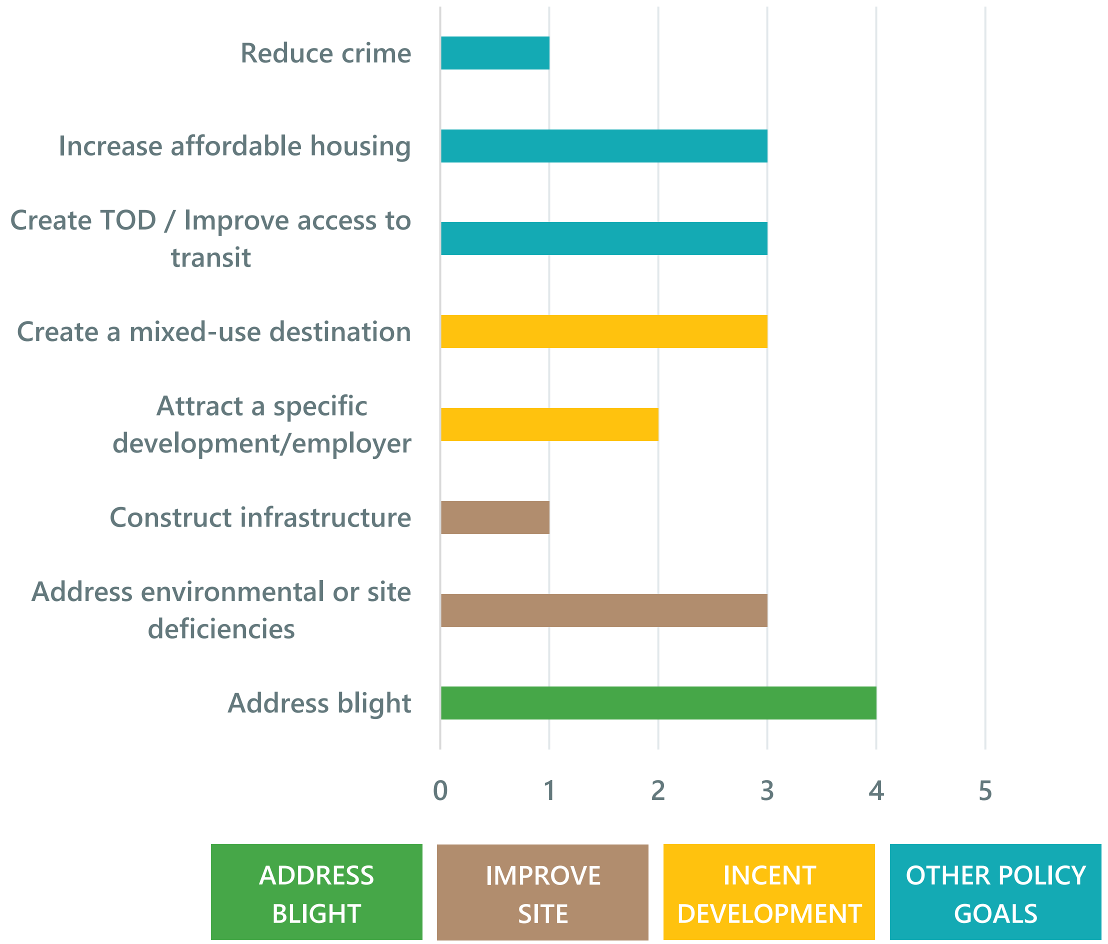
Establishment is simple and targeted to economic development

The PA establishment process is simple. Municipalities must adopt a plan that conforms to state statute and complete required public meetings. The RDA Board must then find that the PA:

- Serves a public purpose
- Produces a public benefit as demonstrated by the analysis described in Subsection 17C-5-105(12)*
- Is economically sound and feasible
- Conforms to the municipality's general plan
- Promotes the public peace, health, safety, and welfare of the community

The PAs must have a clear plan and purpose, including some definition of desired developments and a description of planned activities, like façade grants or revolving loan programs. Municipalities must set aside up to 20% of funds for affordable housing, to be constructed anywhere within the municipality's borders, rather than solely within the PA. A summary of goals found in the nine PAs reviewed for this analysis is presented to the right.

Major Purposes of Nine Sample Project Areas



* Subsection 17C-5-105(12) analysis "includes an analysis or description of the anticipated public benefit resulting from PA development, including benefits to the community's economic activity and tax base;"
Source: PA plans, Utah Compiled Statutes

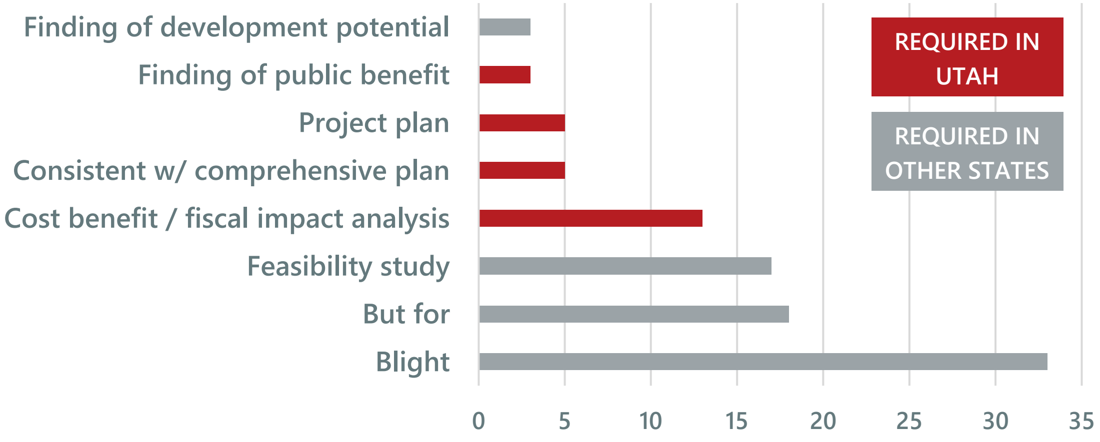
UTAH TIF IN THE NATIONAL CONTEXT

Utah TIF has evolved to a broad economic development tool with few findings required

Utah TIF statute (Title 17C) requires **many of the same *qualitative* findings and process elements found in other states**, as shown in the graphic below. As with 13 other states, Utah also requires a cost benefit / fiscal impact analysis. However, **Utah does not require a finding of blight or an assessment that development would not occur "but for" the TIF district**, the most common criteria for TIF creation across other states. If the County wishes to focus its TIF participation on interventions that solve market failures and catalyze investment, it can utilize some of the quantitative assessments common in other states to demonstrate blight and/or prove a "but for." Common analyses are outlined on the following page.

Under current statute, the County and other jurisdictions can negotiate their individual participation levels. **In states where jurisdictions overlapping a TIF district can negotiate their level of participation, those jurisdictions use a range of analyses, benchmarks, and collaborative processes to set that participation.** Many jurisdictions assess their unique tax bases and whether a proposed TIF district would benefit the jurisdiction itself. Some also analyze whether a project would benefit the community seeking a TIF, while only moving jobs and investment within their own jurisdictional boundaries. This concern is depicted in the table below.

TIF Establishment Findings Required in 50 States and DC



Note: Utah does require a finding of a Development Impediment (blight) when a PA will use eminent domain.
Sources: Lincoln Institute of Land Use Policy, SB Friedman

Example of Differing Impacts of TIF Project Jobs by Taxing Entity

	Competes with	Moves Jobs within Jurisdiction?		
		Community	School	County
Mixed-use Retail and Office	Neighbor community	No	No (serves only community)	Yes
Mixed-use Retail and Office	Neighbor community	No	Yes (also serves neighbor)	Yes
Light manufacturing	Nation	No	No	No

COMMON TIF ANALYSES

Quantitative analysis supports both district creation and project incentive evaluation

	Analysis	Process and Purpose	Assess Area Need	Refine Boundary	Identify Investments	Prioritize Goals	Improve Budget	Evaluate Project Need
District	BLIGHT	Evaluates demographic, economic and physical conditions to identify disinvestment or distress						
	MARKET	Evaluates demographic and economic conditions to outline potential for new development						
	COST BENEFIT / FISCAL IMPACT	Compares potential cost of new government services to the potential new tax revenues						
	"BUT FOR"	Assesses whether a public contribution is required to achieve desired policy or development outcomes						
Project	FINANCIAL GAP	Analyzes projected rents and developer returns to identify the amount of public subsidy required, if any						
	COST TO COMPETE	Compares operation, development and tax costs in competitive locations to identify the amount of public subsidy required, if any						

POLICY 1155

Current policy provides a broad range of opportunities for participation

The County's Policy 1155 provides a **standard TIF participation review process to focus County investments** while offering flexibility for a range of TIF project types in different types of communities. The policy appears to offer opportunities to meet a variety of goals, including creating high wage jobs, implementing TOD and increasing the stock of affordable housing. However, some of the criteria appear to have **potential for broad interpretation** by different municipalities and County staff reviewing applications, leading to unexpected scoring results.

County staff currently assess applications for County participation in PAs **based on alignment with the favorable PA criteria** to the right. The policy also includes unfavorable PA considerations meant to limit investment in PAs that would relocate jobs within the County, promote primarily housing or market rate developments, focus on retail development, and/or lead to development of sensitive lands. The relative weight of favorable and unfavorable considerations is unclear. It is also unclear how many favorable considerations must be present for a proposal to be approved and whether any of the unfavorable considerations are disqualifying.

Summary of Policy 1155 Favorable Project Area Considerations

1	Quantitatively demonstrated various TIF investment scenarios to assess "but for"
2	The proposed tax increment terms are well defined
3	County increment is used primarily for infrastructure , environmental remediation and/or extraordinary site prep costs
4	Promotes economic prosperity by creating a net increase of new high-wage jobs and/or opportunities for small business assistance
5	Does not include an unreasonable amount of land for undefined future projects
6	Meets TOD and affordability goals
7	Located in one or more of the priority area types
8	Redevelops impeded development areas, contaminated or underutilized properties
9	Focuses >$500 million of capital investment and does not materially increase the cost of County services
10	Articulated plan and timeline for the deployment of affordable housing funds
11	Municipality participates at the same dollar amount as the County
12	All new/renovated buildings are LEED Gold or higher
13	Provides a portion of increment to County for administrative costs

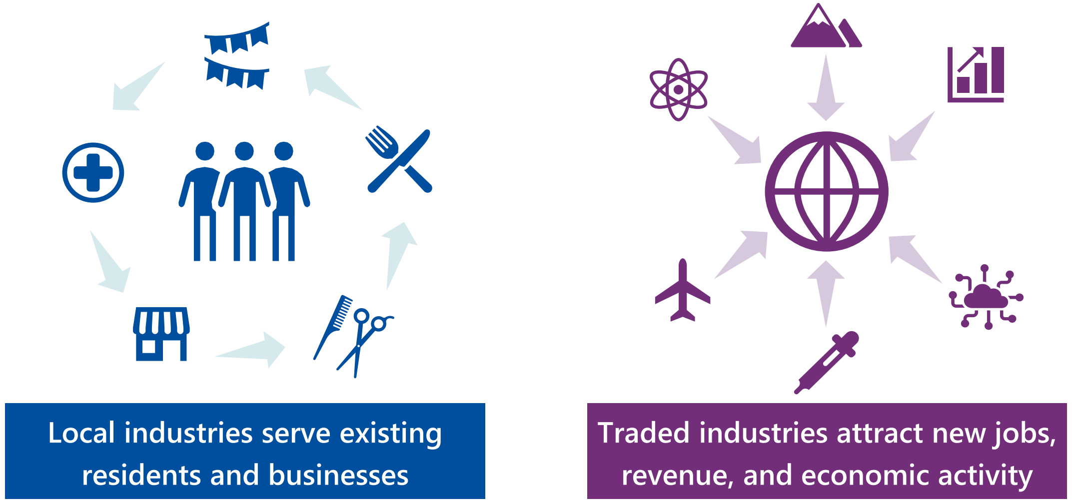
POLICY 1155

The County emphasizes attracting traded industries or new jobs

Policy 1155 prioritizes investing in jobs that are new to the region and in traded industries, while limiting investment in projects that move jobs between jurisdictions in the County. "Local serving" industries, such as restaurants, auto mechanics, and hospitals, typically circulate money within the local economy. "Traded" industries, such as manufacturers, tech companies, and life science researchers, sell their goods and services to customers outside the region, bringing growth to the local economy. Both categories are critical to the economy. Traded and local clusters occupy all development types:

- Retail development tenants are typically classified as a local industry because they primarily rely on the region's population for customer demand.
- Office development tenants may be local or traded. A company from outside the region that brings new jobs in a traded industry like engineering, finance, or IT has the potential to attract more economic activity to the region. Other industries like accounting, legal, and other business and personal services often serve local residents and businesses.
- Industrial development tenants may be local or traded. Distribution can be local-serving, depending on the area served. In contrast, light manufacturing is usually a traded industry that sells to customers outside the region.

Description of Local and Traded Industries



Local taxing entities receive different benefits from different industries and development types, depending on each taxing entity's boundaries and tax base. **If a development absorbs demand that might otherwise be captured in a different area within the County or other jurisdiction, it does not add to the economy or tax base and is therefore "zero sum."**

PROJECT AND INTERVIEW FINDINGS

SAMPLE PROJECT ANALYSIS

Two broad types of projects present in Salt Lake County

SB Friedman reviewed documents from 10 PAs in eight municipalities. Our evaluation included reviewing PA plans, budgets and annual reports as well as County staff evaluation documents and ordinances (where available). For each PA, we compiled information regarding:

1. PA conditions (size, land uses)
2. PA goals and desired development outcomes
3. "But for" analysis (quantitative or qualitative)
4. County agreement terms (trigger, percentage contribution and term, allowable uses of funds)

Project detail is provided on the next page. We also conducted interviews with staff from five municipalities, EDC Utah, and two developers.

The age and purposes of the PAs varied greatly, reflecting changes in Utah TIF statute as well as local practice. Overall, the PAs fell into two broad typologies:

- **Site-based:** Incent a single employer or developer to invest in high-quality jobs and/or a transformative development, possibly in partnership with state incentives to attract employers conducting a national search.
- **District improvement:** Spur reinvestment in a larger area through responsive and targeted public private partnerships to promote desired development along with infrastructure investment and select economic development programs.

Prevalence of Typical Due Diligence in Sample Projects

Common Analysis Types	Used in Sample Project Areas?	
	Site-Based	District Improvement
Distress (or blight) analysis	Qualitative	In some cases
Market analysis	No	In some cases
Cost benefit / fiscal impact analysis	Yes	Yes
"But for" analysis	Qualitative	Usually qualitative
Financial gap analysis	No	N/A at establishment
Cost to compete analysis	No	N/A

The project documents, as well as follow-up conversations with some municipalities, indicated that some level of analysis and planning is often completed prior to establishing a PA and requesting County participation. While these analyses are not always shared with the County and the level of sophistication is unclear, several municipalities believe they are already conducting analyses that align with best practices. The table above presents the studies commonly completed for the two types of PAs.

SAMPLE PROJECT ANALYSIS

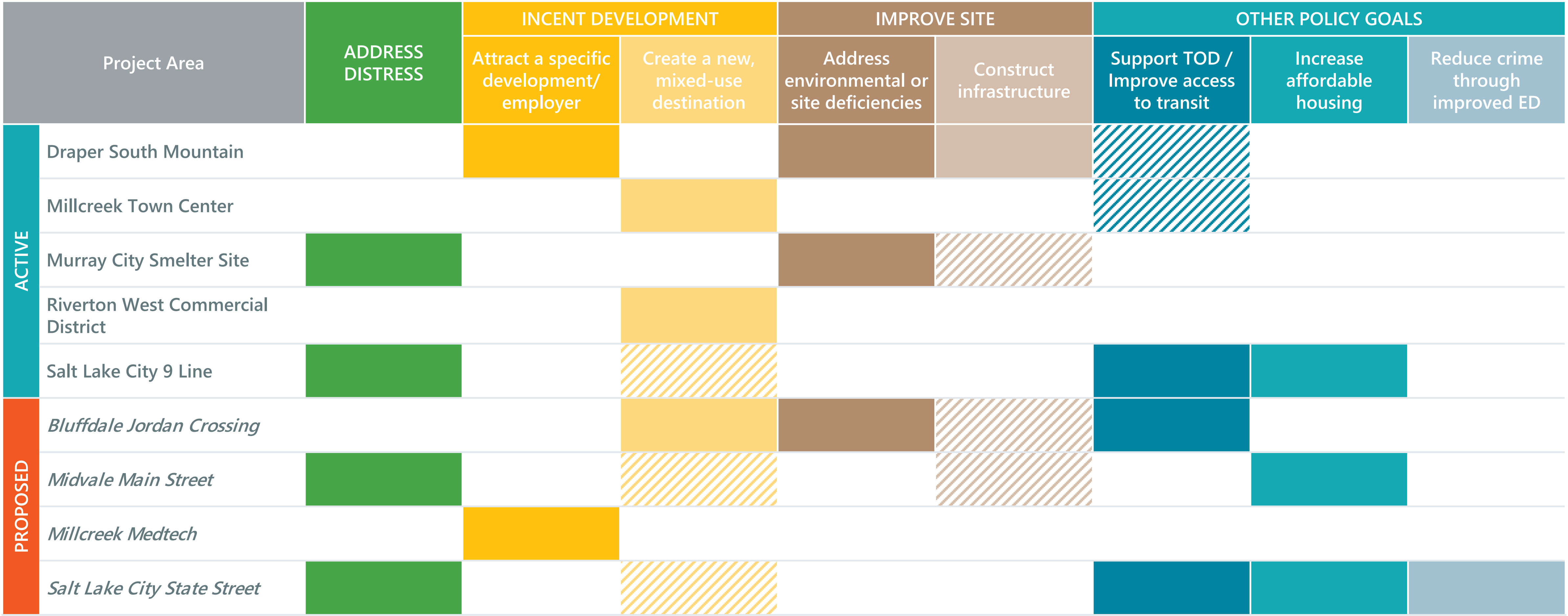
Overview of projects

	Project Area	Year Established	Pre-TIF Land Uses	Proposed Future Land Use(s)	Project / Participation Area	County Contribution		Project Area Type
						Max	%	
ACTIVE	**Draper South Mountain**	2018	Former gravel pit	Office and corporate HQ	72 acres	$9.9 M	65%	Site-based
ACTIVE	**Millcreek Town Center**	2019	Aging mix of retail, residential, commercial	Mixed-use downtown	130 acres / 105 acres	$4.3	75%	District improvement
ACTIVE	**Murray City Smelter Site**	1999	Former smelting and industrial uses with brownfield; scattered single-family homes	Intermountain Medical Center, retail, transit, affordable housing	106 acres / Max 100 acres	No interlocal	100%	District improvement
ACTIVE	**Riverton West Commercial District**	2016	Public drainage facilities and open space	Regional mixed-use, public utilities, greenbelt	689 acres / 85 acres	$15.0 M	70%	District improvement
ACTIVE	**Salt Lake City 9 Line**	2018	Urban single-family homes, commercial, industrial, recreational trails; adjacent to inland port	Revitalized neighborhood & job center	738 acres / 113 acres	$3.1 M	50%	District improvement
ACTIVE	**West Valley City Northwest Economic Development**	No data	Greenfield	Manufacturing & light industrial	1,000 acres	No data	100%	District improvement
PROPOSED	***Bluffdale Jordan Crossing***	*2020*	*Greenfield*	*Mixed-use & possible TOD*	*344 acres / TBD*	*$6.2 M*	*TBD*	*District improvement*
PROPOSED	***Midvale Main Street***	*2015*	*Commercial, residential, retail*	*Mixed-use downtown*	*129 acres / 117 acres*	*$2.1 M*	*60%*	*District improvement*
PROPOSED	***Millcreek Medtech***	*TBD*	*Vacant land, parking*	*Hospital expansion*	*91 acres*	*$1.3 M*	*70%*	Site-based
PROPOSED	***Salt Lake City State Street***	*2016*	*Struggling urban neighborhood & commercial*	*Revitalized urban main street*	*730 acres / TBD*	*$18.2 M*	*75%*	*District improvement*

Sources: PA plans, County review documents, SB Friedman

SAMPLE PROJECT ANALYSIS

Municipalities craft a range of goals for each PA



Note: Purposes were gathered from each PA plan and related documents. A purpose was assigned if it was listed as a major intent of the PA, rather than ancillary (constructing infrastructure only as needed) or simply meeting the base state requirements (affordable housing). *Hatching indicates a strong secondary goal.* No data was available for the West Valley City NW ED Project Area

Sources: PA plans, SB Friedman

SAMPLE PROJECT ANALYSIS

"But for" analysis is primarily qualitative and meets statutory requirements

Most findings provided to the County are qualitative

- Many municipalities describe development goals and provide qualitative assessments of the need to meet those goals
- There are some references to blight or distress, vacancy, vulnerable populations, but little quantitative analysis is shown
- Some municipalities lean on state Economic Development TIF (EDTIF) designation findings (tax credit rebates based on job creation)
- Some municipalities described competitive employer attraction processes which require a cost to compete analysis rather than a "but for" analysis

Statutory requirements drive analysis and sharing of information with the County. In general, municipalities provide the materials that meet legal requirements. Interviews indicate that analyses of property value, vacancy, crime, socioeconomics and other factors underly many PAs, but municipalities are not certain how or when to share those analyses as part of the County process.

County participation in PAs has not historically been consistently tied to project types or "but for" analysis. The projects were established under different statutory frameworks, and participation was set by multiple County administrations. Therefore, there is not a clear connection between "but for" and participation levels when reviewing the larger set of PAs.

	Project Area	Quantitative Assessment	Qualitative Assessment
ACTIVE	Draper South Mountain	N/A	Describes history of failed efforts to develop site
ACTIVE	Millcreek Town Center	N/A	Statement that, "but for" TIF, the cost of creating a city center will be too high and the PA would not change
ACTIVE	Murray City Smelter Site	N/A	Describes blight and environmental issues created by smelters limit development
ACTIVE	Riverton West Commercial District	N/A	Notes that mixed-use development is required to leverage the future UTA transit stop
ACTIVE	Salt Lake City 9 Line	N/A	Describes area diversity, struggling industrial and commercial, and existing affordable housing stock under threat
ACTIVE	West Valley City Northwest	N/A	States that lack of infrastructure requires public assistance to generate private investment
PROPOSED	Bluffdale Jordan Crossing	N/A	Notes that the rocky, sloped site would not attract mixed-use development, "but for" community investment
PROPOSED	Midvale Main Street	Taxable value trends over the last 11 years	Cites lack of density, limited infrastructure, and distress
PROPOSED	Millcreek Medtech	N/A	States that expansion will be delayed, or the façade will be lower quality, "but for" public investment
PROPOSED	Salt Lake City State Street	References financial gaps for recent, similar developments without providing analysis	Discusses historic lack of investment and high vacancy, as well as concerns about homelessness and crime

INTERVIEW FINDINGS

Overarching themes

General Feedback

Municipalities have limited economic development tools and therefore depend on TIF for a range of purposes. They would like to build stronger partnerships with the County to help implement their economic development goals. However, they are not certain what the County views as a "good" project and PA.

Municipalities believe that the current County administration wants to be a good partner. However, one of the largest issues cited with the process – changing political administrations and staff creating unpredictable outcomes – will likely affect perceptions moving forward.

Finally, municipalities are focusing on meeting statutory guidelines in their creation of PA plans and supporting materials.

"But For" Analysis Feedback

Municipalities are not clear what constitutes a "but for" analysis for the purposes of County evaluation. Many rely on comparing increment generated relative to planned expenditures, rather than evaluating the level of public contribution needed to address market failures and implement projects. The larger municipalities interviewed generally had higher capacity to analyze potential PAs and individual requests for incentives than many of the smaller municipalities in the County. Some indicated they are already conducting analyses that could support the "but for" evaluation:

- Certain more experienced municipalities are completing a range of pro forma, market and demographic analyses, and seem willing to target efforts to meet County evaluation needs
- Municipalities often already develop additional analyses (typically a refined cost benefit / fiscal impact analyses) for other jurisdictions

Overall, there appears to be a sincere willingness to develop additional due diligence for the County's evaluation of its participation in PAs. Many municipalities already perform a range of assessments to make the best use of limited local revenues for economic development. However, municipalities would like a clearly defined process that outlines required documentation and analyses.

INTERVIEW FINDINGS

Overarching themes

Process Feedback

Municipalities noted that the County review process can lack clarity and feels unpredictable, at least in part due to past staffing and administrative changes. Overall, there is a perception that other jurisdictions provide clearer analytical requirements and timelines. Specifically:

- County guidelines have at times changed after applications are submitted due to new political administrations and resulting staff changes
- Municipalities have received changing feedback over time on when to engage the County regarding PA approval and participation and what information to provide
- Municipalities are not clear what the County views as a "good" project or how many of the Policy 1155 criteria they must meet to receive a favorable review
- Timelines for approval are uncertain
- Experiences may vary for larger municipalities versus smaller municipalities with less tax revenue

Respondents also indicated that the County's preference for standalone, large projects limits potential for community and economic development goals they commonly pursue. Infill redevelopment often requires a mix of project-specific gap financing and district-wide programs like revolving loan funds, façade and build-out assistance, and/or street, parking and pedestrian infrastructure. Municipalities believe that the County process limits the ability to use TIF for these more flexible redevelopment needs. Similarly, smaller municipalities with fewer projects perceive that their projects cannot meet the bar for participation by the County.

Knowledge and Capacity Issues

Several interviewees indicated that smaller municipalities may need tools – or direct technical assistance – to meet the County's goal of improved due diligence and "but for" analysis. Many staff in these municipalities may not have created a PA or evaluated an incentive before and could need help throughout the process. Others may lack funding or staff capacity to conduct technical analyses. Interviewees indicated:

- Some staff may not be aware of what a pro forma analysis looks like, or know what best practices are
- Smaller municipalities may need templates, training, and/or direct technical assistance to complete a strong "but for" analysis
- Changing municipal elected officials can slow processes and may need education on how RDAs and PAs work

INTERVIEW FINDINGS

Overarching themes

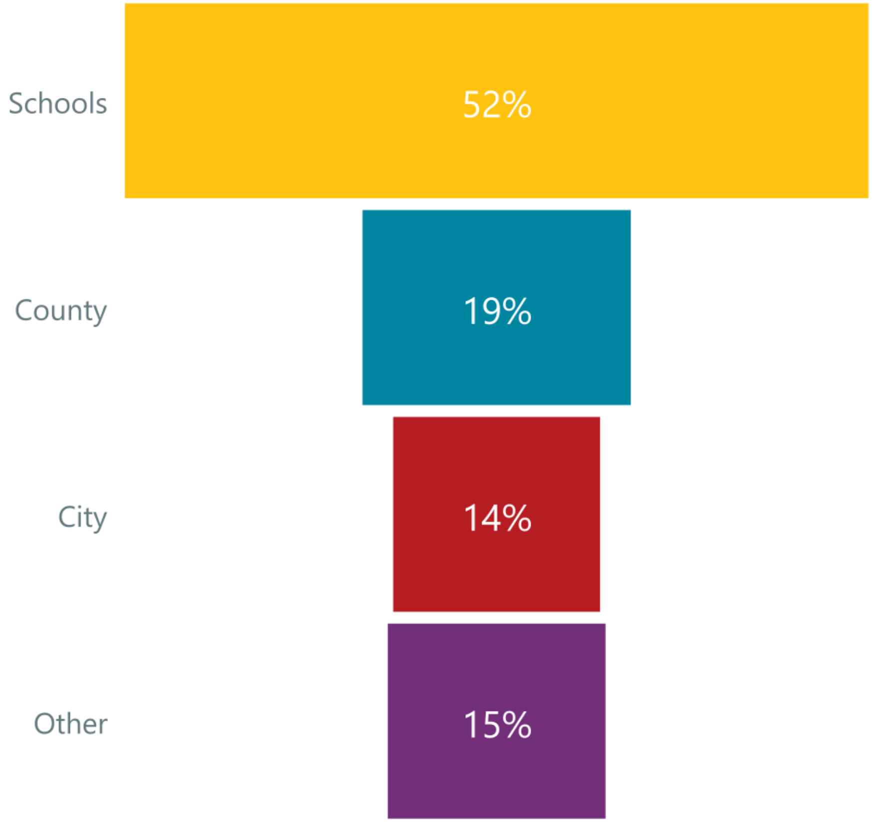
Collaboration with Other Jurisdictions and Municipalities

Municipalities noted that they work to show the benefits of PAs in a way that suits the priorities of each jurisdiction. Interviewees described a history of changing partnerships and requirements from the County due to changing administrations. Interviewees perceive greater consistency from other taxing entities, even those that do not participate in PAs as a matter of policy.

Interviewees also expressed a **desire for coordination across taxing entities** as they evaluate participation in PAs to focus staff and consultant efforts and reduce the time and cost of establishment. Two themes emerged:

- Coordination of requirements and timelines across the largest taxing districts would streamline the process
- Municipalities are willing to engage with the County early in the process to provide required analyses and facilitate the approval process

Proportion of Property Tax Rate by Jurisdiction Type for a Typical Municipality



Sources: Salt Lake County Auditor, 2020 Tax Rates by Area

CASE STUDIES

CASE STUDY BACKGROUND

National best practices highlight the role that expanded analysis can play

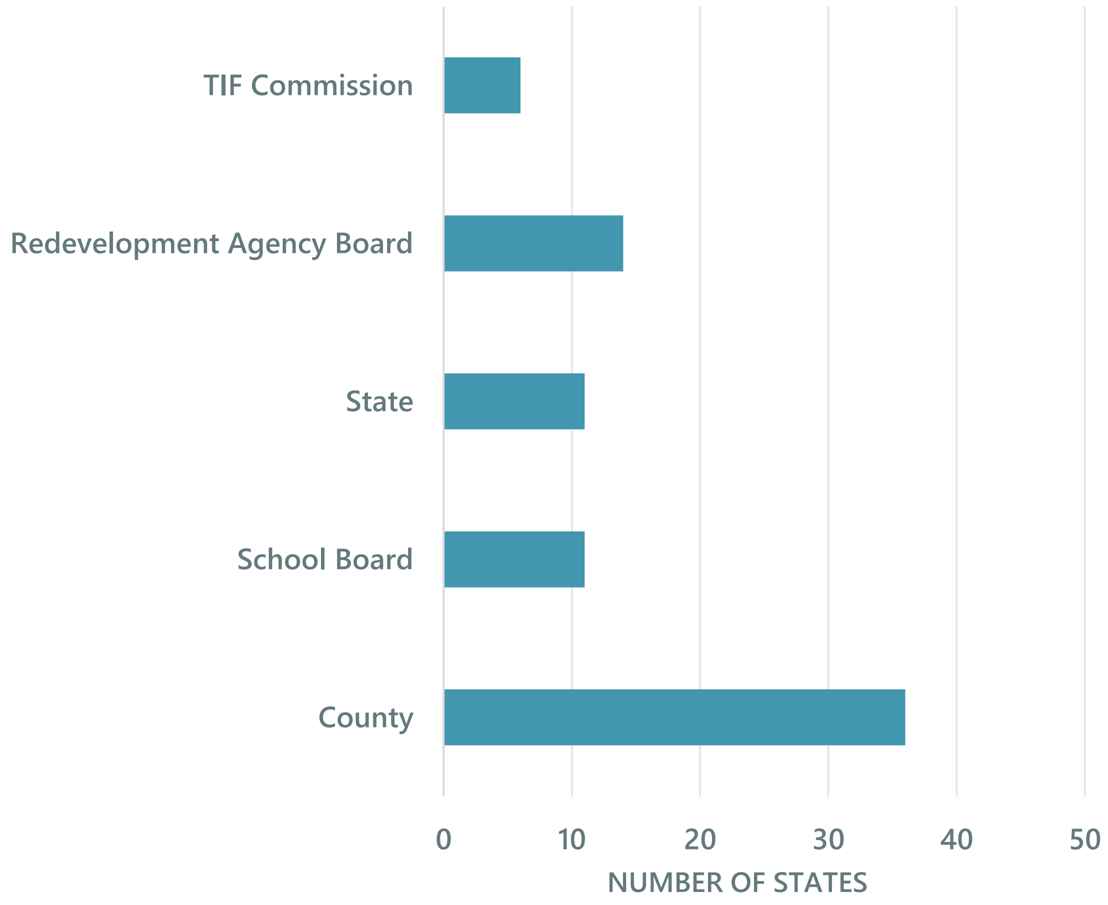
The goal of the case study analysis is to **provide best practice examples of how to improve "but for" analysis for both district-wide and site-based PAs.**

Nationwide, many states require jurisdictions overlapping a proposed TIF district to approve its creation and/or negotiate their contribution to the TIF district. The chart to the right illustrates the types of jurisdictions commonly involved in negotiating TIF establishment across the US – counties play a role in most states. Other states can illustrate best practices that could be incorporated into the County process. The County can also implement best practices in utilizing market analysis, distress assessment, and financial gap analysis to create more successful PAs, PA plans and projects.

The selected case studies provide samples of:

- Scoring TIF districts based on area conditions to assess distress
- Utilizing market analysis to refine district boundaries, budgets, and goals
- Assessing TIF projects to understand whether development would occur "but for" public investment
- Coordinating across jurisdictions on TIF contributions
- Scoring TIF districts based on proposed projects and anticipated benefits

Counties and Other Entities Approving TIF District Establishment in 50 States and DC



Sources: Lincoln Institute of Land Use Policy, SB Friedman

NATIONAL CASE STUDY – PINELLAS COUNTY, FL

Participation negotiated based on area need and planned expenditures related to county priorities

Pinellas County Community Reinvestment Area (CRA) Type Scoring

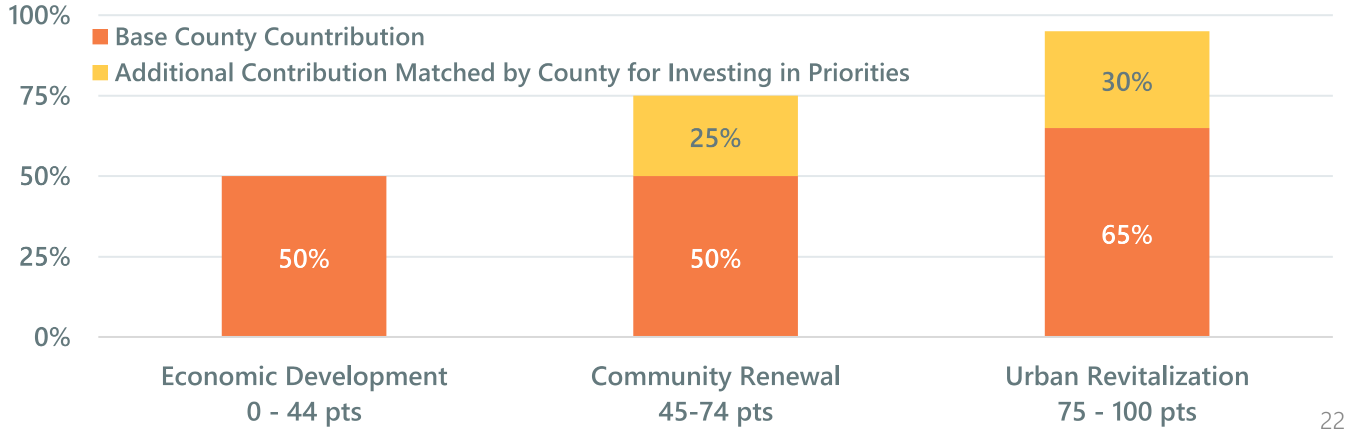
Scoring category	Max Points
Demonstrated Need (45 points)	
% of Households Below Poverty Level	10
Median Household Income	15
% of area qualified for CDBG	5
Demonstrated Blight Factors (163.340(8), F.S.)	10
% of area within a Coastal High Hazard Area	5
Employment & Economic Development (25 points)	
Employment Density	5
Unemployment (Civilian Population)	10
Property Tax Value Trend	5
Activity Center *or* Target Employment Area	5
Housing Affordability (25 points)	
% of households that are housing cost burdened	10
Median Residential Values	15
Mobility (5 points)	
Location w/in ¼ mile of Premium, Primary, and Secondary corridors	5
Total Points	100

Pinellas County must contribute 50% of its TIF increment to any new TIF district (i.e., CRA) per statute, but may negotiate an additional contribution, up to a maximum of 95%. Pinellas County *does not* evaluate individual projects and instead uses a quantitative evaluation to establish its contribution level for 10 years at a time. The 2021 policy sets the County contribution based on:

- CRA type per the County's scoring rubric (*prioritizes areas with Demonstrated Need and factors indicating distress*)
- Percentage of budget allocated to defined project types within three policy priority issues: housing affordability, targeted economic development and mobility

CRA expenditures are tracked for alignment with policy commitments via annual reporting, and the County contribution is adjusted at a midpoint (10-year) evaluation. Municipalities that wish to issue CRA-backed bonds must enter an interlocal agreement (including a defined project list) and set the County contribution for the life of the CRA.

Pinellas County CRA Contribution by County CRA Type

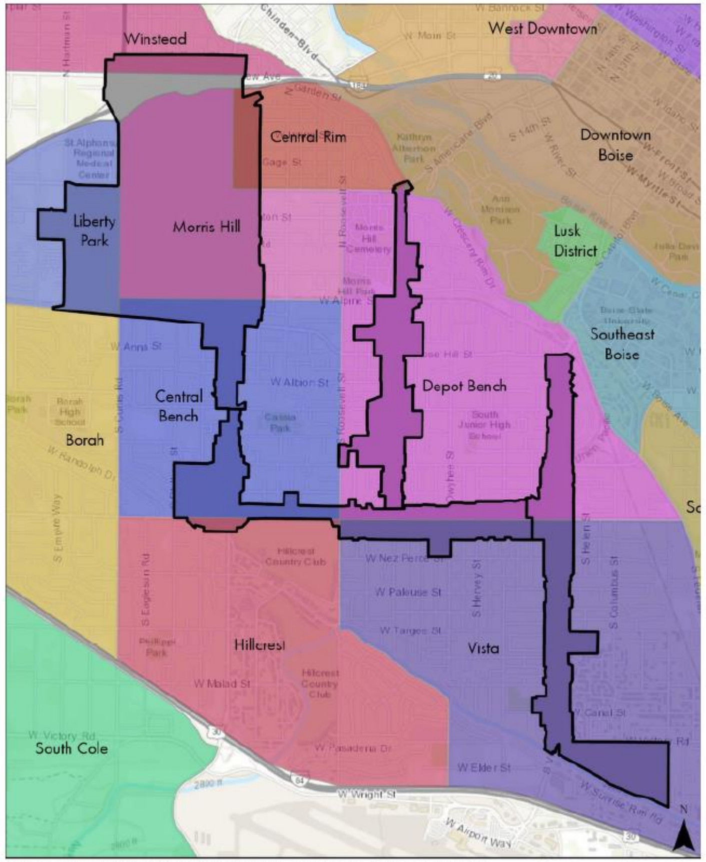


Sources: Pinellas County, SB Friedman

NATIONAL CASE STUDY – BOISE, ID

Market assessment to refine district boundaries and budgets

Proposed Central Bench URD Boundary Analysis



CITY OF BOISE REGISTERED NEIGHBORHOOD ASSOCIATIONS
Central Bench Study Area
City of Boise, Idaho

Miles 0 0.25 0.5

The Boise Capital City Development Corporation (CCDC) manages Urban Renewal Districts (URDs) in Boise, ID. The organization has several key goals and authorities:

- CCDC can only fund public infrastructure or publicly-owned improvements like parking garages. It targets those improvements to incent redevelopment broadly and support catalytic projects.
- CCDC maintains a five-year Capital Improvement Plan and Budget, which it updates annually. The potential improvements are based on strategic planning and tied to available funds.

CCDC proactively ties district creation and infrastructure investment to clearly defined needs identified through market analysis, as well as cost estimates and revenue projections:

- Market analysis is used to refine and right-size URD boundaries and to identify URD goals and budgets.
- Market-derived estimates of incremental revenue forecasts are prepared to estimate bonding potential.
- Strong cost and revenue estimates are prepared for use by an overlapping taxing entity in considering its contribution level.

Gateway East URD Feasibility Study

	Q1	Q2	Q3	Q4
PROJECTED NEW INDUSTRIAL DEVELOPMENT TIMING	576,000 SF	2,700,000 SF	6,600,000 SF	
PERCENTAGE OF INFRASTRUCTURE COSTS COVERED BY BONDABLE INCREMENTAL REVENUES	6%	40%	67%	91%

Sources: Ada County Assessor, CCDC, City of Boise, PGAV, SB Friedman

NATIONAL CASE STUDY – KANSAS CITY, MO

Independent financial gap analyses and regular convening of overlapping tax jurisdictions

The Economic Development Corporation of Kansas City (EDC) administers property tax abatement and TIF programs in Kansas City, Missouri. Each project that requests public assistance is required to provide detailed information about the project's economics. A third-party analyst then undertakes a financial gap/"but for" analysis that:

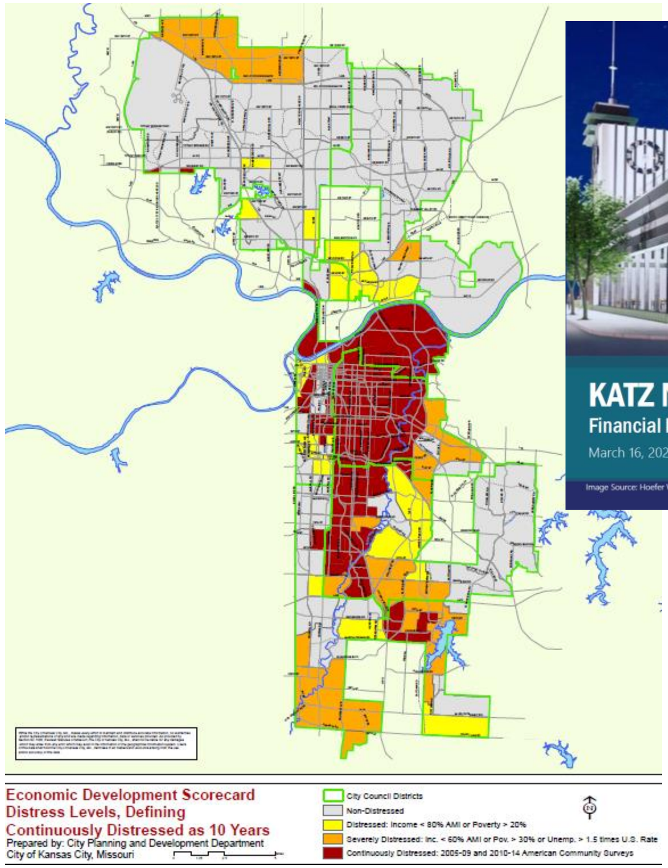
- Evaluates whether the project requires the public assistance in order to be financially feasible;
- Identifies what elements of the project are driving the financial gap; and
- Recommends how to right-size and structure the deal.

The EDC also convenes regular meetings of representatives of each of the City's overlapping taxing jurisdictions (e.g., school district, library district, mental health commission). The meetings occur at least monthly and focus on:

- Reviewing projects relative to public policy objectives outlined in the AdvanceKC scorecard;
- Reviewing the third-party financial gap/"but for" analysis; and
- Negotiating incentive structures and public benefits with the developers requesting public assistance.

The taxing jurisdictions also attend the meetings in which the public assistance is considered by appointed boards and provide input as to whether the project has the support of the individual taxing jurisdictions.

Sources: City of Kansas City, SB Friedman



AdvanceKC Scorecard - Distressed Areas

Kansas City uses a scorecard approach to determine the maximum level of incentives that would be available to projects. A key component is whether the project is located in a continually distressed census tract.

Financial Gap/"But For" Analysis

Kansas City engages a third-party financial analyst to underwrite all projects requesting public assistance. The analyses are conducted in a consistent way and presented to a meeting of all impacted taxing jurisdictions.

UTAH CASE STUDY – DAVIS COUNTY

Quantitative evaluation paired with project discussions to foster partnerships

Davis County staff lead a **quantitative evaluation process that sets limits on participation**, while also creating opportunities to participate in most PAs:

- A quantitative scoring tool sets initial term and maximum contribution as a percent or dollar amount
- Staff also consider community need and county priorities in determining overall eligibility
- The review and approval timeline is 2 months
- Staff do not complete a gap analysis of development projects, but do request the overall findings from any municipal analyses
- Contributions to district-based PAs are generally lower (50%) and for a shorter term (10 years)

Point Range	Maximum term (years)	Maximum % participation
80-100	20*	90%*
60-79	15	75%
40-59	15	50%
0-39	10	40%

Davis County CRA Evaluation Matrix

See also CRA Econ Dev Guiding Policy. **Bolded** areas may be **measurable** and may be pre-calculated. Rate on the points possible, comparing to Economic Development goals (the higher the better).

	Criteria:	Subcriteria:	Max Score
1	Job Creation- Quantity 10%	**Total direct jobs created in Davis County (formerly square footage greater than 80%)**	10
2	Job Creation- Quality 23%	**Higher than average wage opportunities.**	10
		Multiplier effect of proposed jobs.	10
		Strengthening Davis County cluster/ priority industries.	3
3	City Impact 8%	Reducing economic burdens and detriments of a particularly needy area.	4
		Community support/ compatability with long term plans, environmental sustainability.	4
4	Overall County Impact 23%	**Producing new tax revenue (and does not "shift" e.g. retail between cities).**	5
		Providing caps (limits) on the amount of tax increment.	5
		Impact on the quality of life, and existing businesses.	3
		Addressing future transportation needs, trails, other infrastructure, and mass transit opportunities.	5
		Addressing public services and education.	5
5	Affordable Housing/ Community Services * 18%	**% of housing units available to 80% AMI or less within the community and/or the project area (e.g. 10-40% of the units, the higher the better), if not, then lesser credit given to participation in County-wide affordable housing .**	10
		Mixed use, mixed income opportunities.	3
		Offering services across varying income levels.	5
6	Viability and Justification of the 18%	Lost opportunity without CRA tax incentives (cost benefit).	7
		Thoroughness, ROI, and trackability of the project area plan.	5
		Likelihood and timelines of build-out as projected.	3
		Other incentives (such as City and State) and participation by developers and other stakeholders.	3
	100%	TOTAL	**100**

Matrix Policy statements/considerations: 1. All projects are given consideration-- the matrix offers flexibility and more participation for projects that meet more goals 2. Input on the matrix and project area is important from all tax entities, DUED, etc.--realizing we all share constituents. 3. Address concerns using data whenever possible. 4. These are maximum possible levels, which do not guarantee that the maximum for each category will be final recommendation.

*Must include higher than average **affordable housing** opportunities, preferably in the project area, but at least in the community.

Sources: Davis County, SB Friedman

RECOMMENDATIONS

SUMMARY OF RECOMMENDATIONS

Establishing best practice due diligence requires a holistic approach

Improve "But For"

- Distress analysis
- Market analysis
- Gap analysis

Clarify the Process

- Establish clear timelines and analytical requirements
- More clearly define eligible project types and expenditures
- Develop a PA scorecard to set expectations

Build Capacity for Jurisdictions to Assess PAs

- Develop sample analyses and templates
- Conduct trainings for staff and/or elected officials
- Partner with others for trainings and/or technical assistance

Collaborate with Taxing Entities and Municipalities

- Convene major taxing bodies to establish common requirements in "but for" analyses
- Build/strengthen partnerships with municipalities

IMPROVE “BUT FOR” ANALYSES

The County should request supportive analyses tailored to both types of PAs

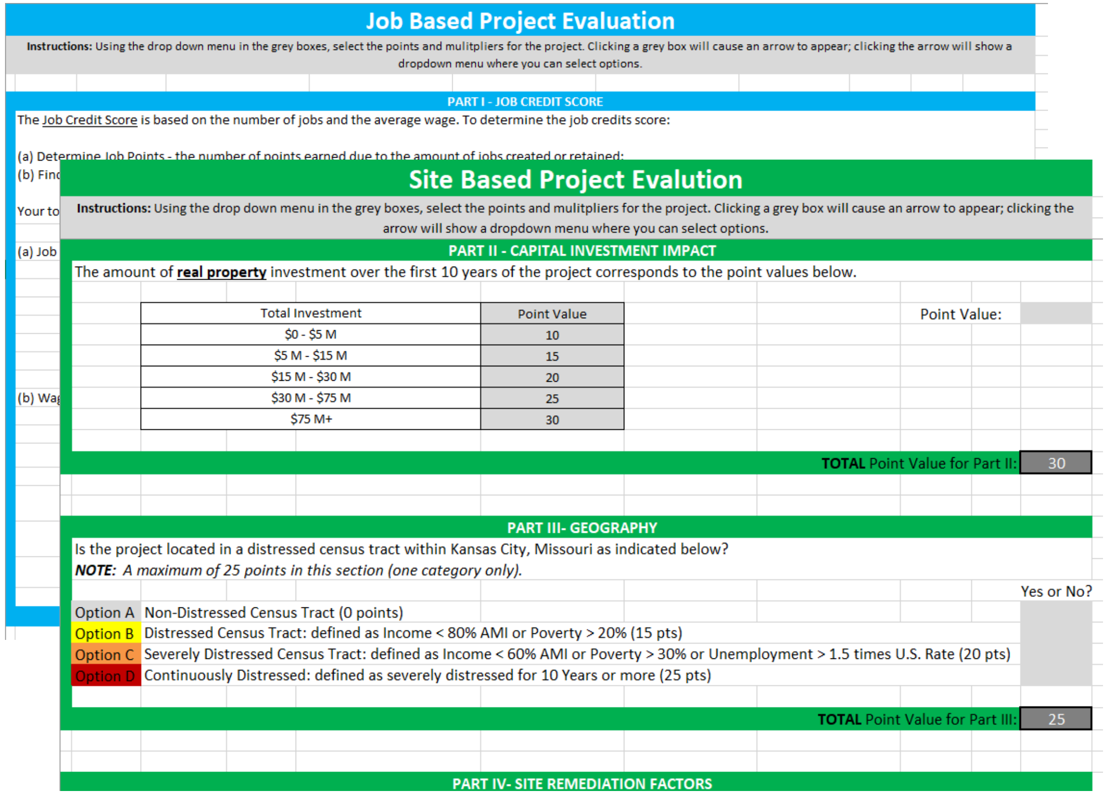
DISTRICT IMPROVEMENT PAs

- Distress analysis: Evaluation of income, assessed value trends, vacancy, housing cost burden, etc. quantitatively demonstrates district need
- Market analysis: Municipality demonstrates development potential and public subsidy required through supply and demand analysis, sites susceptible to change, infrastructure needs, etc.
- Financial gap analysis: Prototypical gap analysis to identify high-level financing gaps for sites susceptible to change

SITE-BASED PAs

- Market analysis: Developer demonstrates feasibility of the specific project and indicates the revenue assumptions that result in a financial gap
- Financial gap analysis: Identifies the particular financial gap and reason the project requires public assistance
- **Exception:** Competitive analysis for employer-driven projects outlines incentive need

Example TIF Project Evaluation from Kansas City, Missouri


Job Based Project Evaluation

Instructions: Using the drop down menu in the grey boxes, select the points and mulitpliers for the project. Clicking a grey box will cause an arrow to appear; clicking the arrow will show a dropdown menu where you can select options.

PART I - JOB CREDIT SCORE

The Job Credit Score is based on the number of jobs and the average wage. To determine the job credits score:

(a) Determine Job Points - the number of points earned due to the amount of jobs created or retained;

(b) Find

Your to

(a) Job

(b) Wag

Site Based Project Evalution

Instructions: Using the drop down menu in the grey boxes, select the points and mulitpliers for the project. Clicking a grey box will cause an arrow to appear; clicking the arrow will show a dropdown menu where you can select options.

PART II - CAPITAL INVESTMENT IMPACT

The amount of **real property** investment over the first 10 years of the project corresponds to the point values below.

Total Investment	Point Value
$0 - $5 M	10
$5 M - $15 M	15
$15 M - $30 M	20
$30 M - $75 M	25
$75 M+	30

Point Value:

TOTAL Point Value for Part II: 30

PART III- GEOGRAPHY

Is the project located in a distressed census tract within Kansas City, Missouri as indicated below?

NOTE: *A maximum of 25 points in this section (one category only).*

Yes or No?

Option A	Non-Distressed Census Tract (0 points)
Option B	Distressed Census Tract: defined as Income < 80% AMI or Poverty > 20% (15 pts)
Option C	Severely Distressed Census Tract: defined as Income < 60% AMI or Poverty > 30% or Unemployment > 1.5 times U.S. Rate (20 pts)
Option D	Continuously Distressed: defined as severely distressed for 10 Years or more (25 pts)

TOTAL Point Value for Part III: 25

PART IV- SITE REMEDIATION FACTORS

IMPROVE “BUT FOR” ANALYSES

Identify PA need by completing a distress analysis

In some areas, socioeconomic factors such as income and race, as well as larger indicators of a poorly functioning market, such as long-term vacancies, may indicate a distressed community. Regardless of project type, **these areas may require additional investment to create catalytic projects and incentivize regrowth.**

Distress analysis comparatively assesses variables such as the following for the PA, municipality and county:

- Property value trend
- Household income value trend
- Vacancy rates
- Unemployment
- Job number and quality
- Building permit trends

Other states and localities interpret blight in multiple ways, ranging from historical disinvestment and visible physical signs of decay, to recent smaller increases in vacancy or job and population loss. The County may establish other definitions of need or policy priorities in addition to disinvestment, such as promoting growth of high-quality jobs or supporting TOD. However, measures of disinvestment or decay are one of the most common criteria used to establish TIFs because they quantitatively demonstrate the need for additional resources. Paired with market analysis, these findings can help target PA activities.

Selected Illinois TIF Establishment Blight Factors

Category	Factor	Possible Quantitative Measures
Improved Land Factors	Presence of Structures Below Minimum Code	Building code violations
	Lack of Community Planning	N/A
	Obsolescence	Median building age >35 years
	Excessive Vacancies	By land use, vacancy rates greater than the municipality or county
	Lack of EAV Growth	EAV decline or growth less than the county for 3 of the last 5 years
Vacant Land Factors	Flooding	N/A
	Obsolete Platting	N/A
	Decline in EAV[1]	EAV trend less than the municipality or CPI for 3 of the last 5 years
	Environmental Contamination	N/A
Additional Tests	Lack of Private Investment	Permit activity in the TIF, municipality, and county Square footage of new development in the TIF Growth in property values in the TIF, municipality and county

[1] EAV = Equalized Assessed Value of a property after all appeals and adjustments are complete
Sources: Illinois Statute, SB Friedman

IMPROVE "BUT FOR" ANALYSES

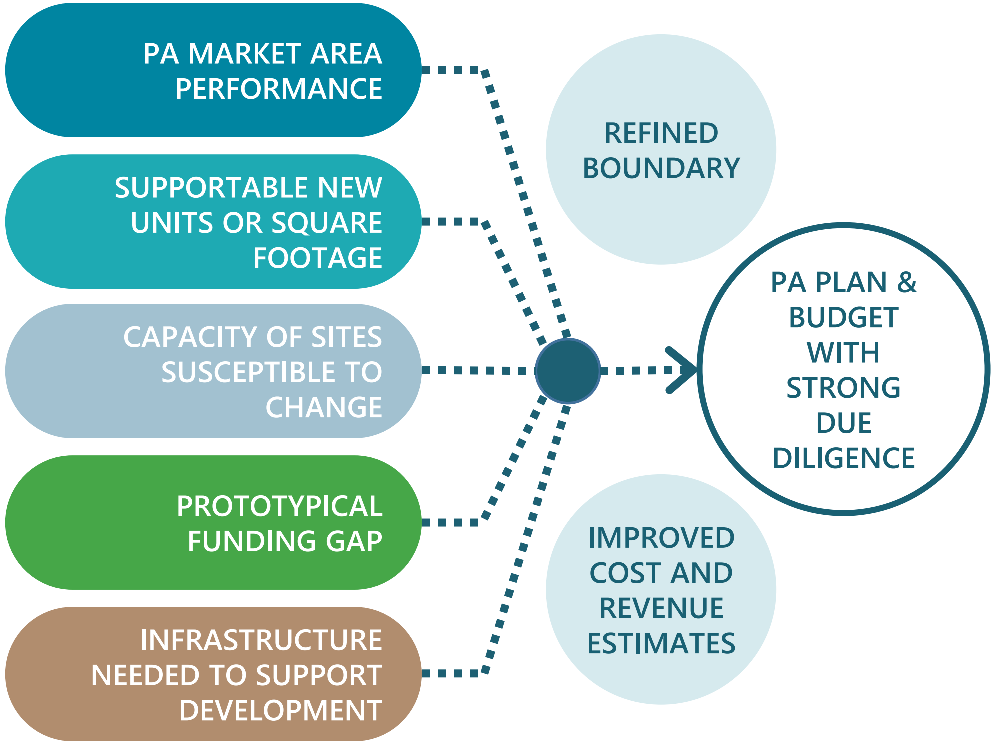
Market analysis can support both District Improvement and Site-Based PAs

The County should require **market analysis** to better implement its priorities of tying participation to project need and/or reducing economic distress. This analysis can also help refine the PA boundaries and assess whether certain land uses may require public support. To support PA planning, budgeting and implementation, a market analysis should include:

- Trends in vacancies and deliveries compared to municipality and/or county
- Achievable rents/sale prices by land use
- Supportable new units or square footage by land use
- Identification of sites susceptible to change and development capacity
- Estimated prototypical private financial gap per unit or 1,000 square feet
- Identification of infrastructure required to support desired development

These analyses can help target the PA goals and assess potential budget tradeoffs. Municipalities may need to conduct follow-up assessments based on the market analysis findings, such as estimating infrastructure costs.

The interviewees noted that many larger municipalities already complete varying levels of market analysis. However, **the County can play a role by establishing clear standards for what a market analysis supporting a PA plan should include and requiring that analysis early in the PA establishment process.**



IMPROVE "BUT FOR" ANALYSES

Evaluation of Site-Based PAs should implement best practice financial gap analysis

County analysis of site-based PAs – if the project type meets the County's overall priorities for investment – should focus on defining the financial gap that requires public support. **Financial gap analyses would help the county and municipalities:**

- Guard against over-subsidizing projects
- Demonstrate that public resources are being used fairly and judiciously
- Help articulate the case for (or against) assistance for a specific project
- Help define and clarify the problem to be solved

It appears that some municipalities in the County contract with third parties to evaluate development pro formas, though it appears the pro formas may be used for cost benefit / fiscal impact analyses rather than financial gap analyses. The **County could require financial gap analyses and set a baseline transparency requirement** for the County overall. Where specific projects are proposed for a PA, the County should either contract with a third party or develop staff capacity to conduct financial gap analyses.

Individual projects may also be part of a larger incentive package or competitive process. A typical financial gap analysis may not be relevant to these projects. In these situations, the County may request:

- State ED TIF designation
- Cost to compete analysis

1 Review Project & Site Context	▪ Where is the project located? ▪ What is the development program and mix of land uses?
2 Evaluate Development Budget	▪ What are the project uses? (land, construction costs, etc.) ▪ Are project costs in line with industry benchmarks? If not, why?
3 Evaluate Financial Assumptions	▪ How does the developer intend to finance the project? ▪ Has the developer exhausted all potential funding sources before requesting public assistance?
4 Evaluate Operating Assumptions	▪ Are revenue (e.g., rents) and expense assumptions reasonable given target tenant profile, market context and industry benchmarks?
5 Calculate Project Financial Returns	▪ Is the project achieving a level of financial returns that would allow it to attract the required debt and equity investment?
6 Identify Financial Gap	▪ Is there a demonstrable financial gap that requires public assistance to make the project successful?
7 Identify Drivers of Need for Assistance	▪ What project components are driving the financial gap? ▪ Do these drivers align with larger policy goals? (affordable housing development, employment growth, supporting urban form, etc.)

IMPROVE "BUT FOR" ANALYSES

Utilize distress, market and gap analyses to refine the District Improvement PA budgets

Many municipalities establishing district improvement PAs provide rough budget estimates tied to their overall goals for the PA. While reinvestment needs may evolve over the lifespan of a PA, best practice due diligence can inform the PA budget. Specifically:

- **Distress Analysis:** Identifies locations or land uses in need of additional infrastructure or catalytic investment
- **Market Analysis:**
  - Identifies market-related challenges and opportunities
  - Identifies sites susceptible to change and associated improvement needs
  - Informs analyses to arrive at prototypical financial gaps for desired land uses
  - Defines overall PA infrastructure needs to incent development
  - Informs TIF increment forecasts and cost benefit / fiscal impact analyses
- **Gap Analysis:** Identifies public support needed for known projects

The table to the right offers an example of how these analysis could support key items in the Midvale PA budget, and what additional information the County might request.

Midvale Main Street Budget and Example County Data Requests

Expenditure	Cost	Support from "But For" Analyses	County Information Requests
Parking structure(s)	$5,100,000	**Financial Gap Analysis:** Estimate of public funding need **Market Analysis:** Typical subsidy required	Parking study demonstrating need (if available)
Relocations, demolition, land acquisitions, infrastructure, etc.	$1,000,000	**Market *or* Distress Analysis:** Sites susceptible to change and needed improvements District infrastructure needs	1. List of known projects with extraordinary costs and cost estimates 2. Typical cost of past projects for programmatic needs 3. Type and amount of other funding sources
Capital Projects	$1,500,000		
Developer Reimbursements	$1,500,000	**Market Analysis:** Sites susceptible to change Potential new uses Prototypical funding gap	1. Pro formas from planned projects 2. Prototypical gap analyses for sites susceptible to change

The analysis required will differ based on the goals for the PA. The following two pages outline how the County and municipalities might utilize each analysis type to support the PA plan and budget.

IMPROVE "BUT FOR" ANALYSES

Example analyses for District Improvement PAs

AGING DOWNTOWN

PA goal: Incent redevelopment

Planned investments: Structured parking garage, streetscape enhancements, small business loan program, district activation services

Suggested analyses or plans:

- Distress analysis
- Market analysis identifying demand for desired land uses and public infrastructure investments needed to support goals
- Parking study assessing demand with new development
- Cost estimate for parking garage, with gap analysis

GREENFIELD TOD WITH SITE CONCERNS

PA goal: Create a transit-oriented development on a site with difficult terrain

Planned investments: Bike and pedestrian improvements, gap financing

Suggested analyses or plans:

- Market analysis identifying demand for desired land uses and public infrastructure investments needed to support goals
- Cost estimates for required public infrastructure investments to support goals, with extraordinary costs identified
- Financial gap analysis for TOD projects

GREENFIELD INDUSTRIAL PARK

PA goal: Support development of a planned new industrial area

Planned investments: Road and utility infrastructure

Suggested analyses or plans:

- Market analysis identifying demand for desired land uses and public infrastructure investments needed to support goals
- Cost estimates for required public infrastructure investments to support goals, with extraordinary costs needed from the PA identified

DISINVESTED NEIGHBORHOOD

PA Goal: Incent redevelopment in a disinvested neighborhood

Planned investments: Small business and homeowner loan programs, gap financing for mixed-use redevelopment and affordable housing developments

Suggested analyses or plans:

- Distress analysis
- Market analysis identifying demand for desired uses
- Prototypical financial gap per unit for desired mixed-use and affordable housing developments

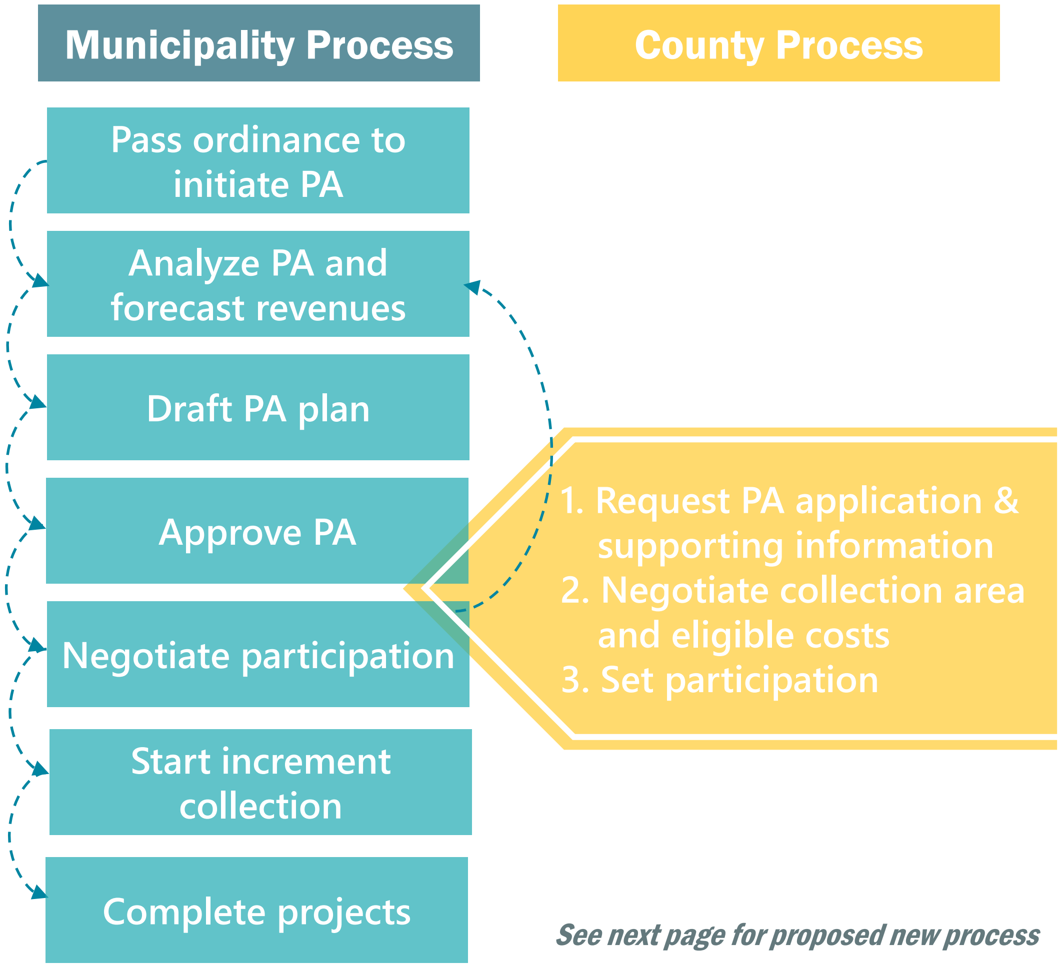
CLARIFY THE PROCESS

Implement policy changes to make the participation process faster and more predictable

Overall, the County should revise the current policy to improve consistency and streamline the process. Several changes could achieve this goal:

1. **Clarify the types of projects and expenditures that the County is willing to invest in.** The current policy lists some development types and expenditures that County will and will not contribute to, but municipalities would benefit from additional clarification. Specifically:
    - Develop a more extensive list of eligible and ineligible project types to offer some certainty to municipalities.
    - Clarify eligible expenditures, including whether programs (façade improvement grants, revolving loan programs, etc.) or specific improvement types (parking garages, enhanced bike/pedestrian infrastructure, etc.) are eligible in full or for partial participation.
2. **Commit to an approval timeline and define required milestones and meetings.** A clear timeline should be sufficient to allow full evaluation while also facilitating typical development timelines:
    - Provide typical timeline to approval
    - Indicate when in the municipality's PA planning process that the County wishes to be involved
    - List what analyses and materials are required at each stage
    - Indicate required meetings with staff and the County Council

Current County Role in PA Establishment



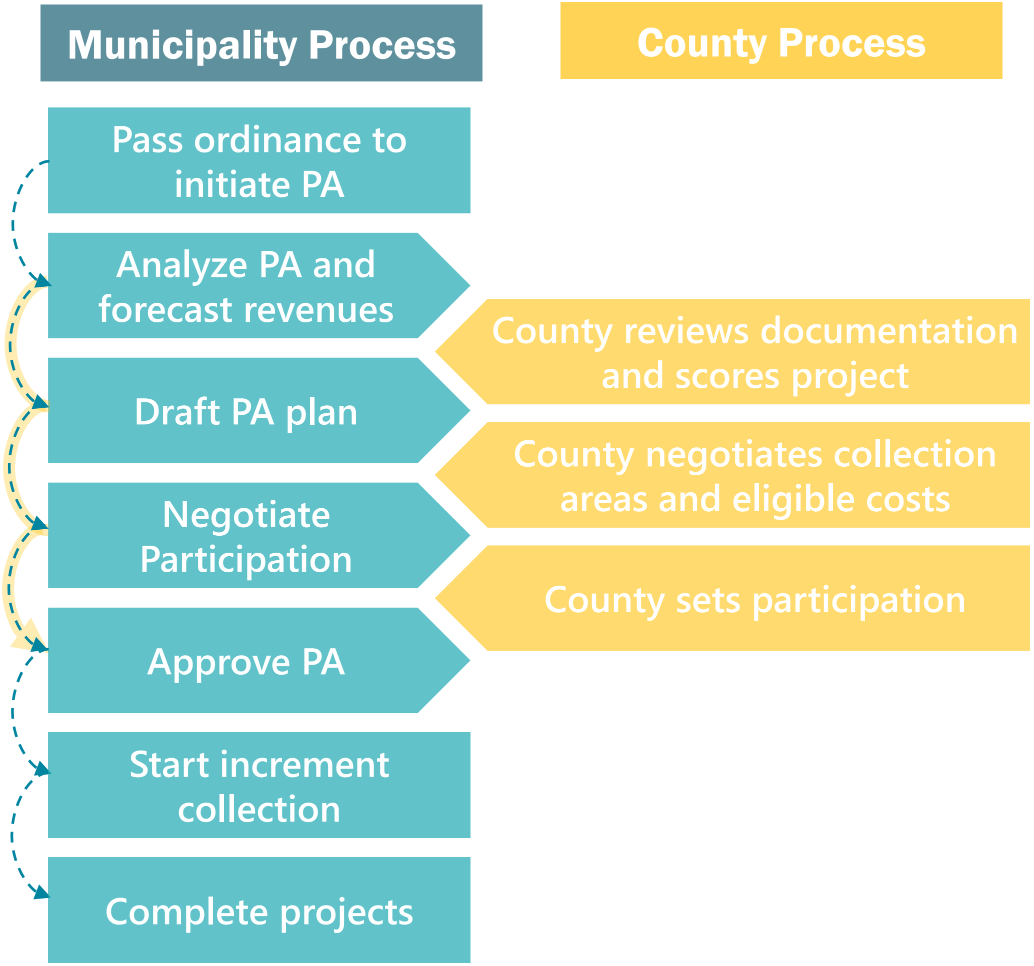
See next page for proposed new process

CLARIFY THE PROCESS

Implement policy changes to make the participation process faster and more predictable

3. **Create a project scorecard** that uses PA, census and other data to quantify the requirements of the current Policy 1155. This would also clarify what constitutes a good PA for municipalities. Among other factors, the Scorecard can assess:
   - Measures of community need (income, vacancy, taxable value trend)
   - Project economic impact (jobs new to the region, above certain wage thresholds, and/or new to the region)
   - Fiscal impact (cost benefit) to County
   - Access to existing or planned transit
   - Proportion of a municipality's taxable value within PAs
   - Alignment with County public policy objectives
4. **Grandfather participation applications that have already been submitted.** In the future, PAs that have already submitted applications should be evaluated based on the system under which they applied. For future policy revisions, the County should announce the planned revision and a temporary freeze of new PA participation applications. Any revision period should be brief, ideally not more than three months.

Proposed County Role in PA Establishment



BUILD CAPACITY FOR MUNICIPALITIES TO ANALYZE PROJECTS

The County can pursue partnerships to improve and expand training on TIF best practices

The County should pursue opportunities to train municipalities – both staff and elected officials – in best practice analysis of PAs and individual projects. Trainings on economic development and CRAs are already provided by organizations like the Utah League of Cities and Towns. The County should partner with these organizations wherever possible. All training, assistance and templates should include a clear definition from the County and other taxing jurisdictions regarding what makes a good project.

The County should pursue opportunities to provide:

- **Templates** for pro forma analysis and cost benefit / fiscal impact analysis
- **Trainings** (through partners) on key best practices to improve "but for" analysis and incorporating market analysis into PA creation and implementation
- Partner with others, such as EDC Utah, to provide **technical assistance** for small municipalities

To help municipalities perform required analyses, the County should also set up a **structure to fund required analysis** - such as pro forma analysis, market analysis, and other required steps - through PA increment. This includes indicating reasonable cost ranges for these analyses to help municipalities budget.

Potential Partners for Capacity Building

Utah Governor's Office of Economic Development
BUSINESS • TOURISM • FILM

EDCUtah
ECONOMIC DEVELOPMENT CORPORATION OF UTAH

UTAH FOUNDATION
RESEARCH • ANALYZE • INFORM

UTAH LEAGUE OF CITIES AND TOWNS

COLLABORATE WITH TAXING ENTITIES AND MUNICIPALITIES

Expanded partnerships can improve PA outcomes

The County should pursue two types of partnerships to improve PA outcomes, with a particular focus on the "but for" analysis required to establish PAs and budgets.

1. **Coordinate with major taxing entities on PA evaluation timelines and analysis.** Coordination can include common timelines, shared or complementary analytical requirements, and/or cost sharing for required analyses. Because there are too many taxing entities for the County to establish coordination across all entities involved in PA establishment, the County should focus on core jurisdictions.
   - Most municipalities appear to prioritize PA participation from the "big three" jurisdictions that levy property tax: the County, school districts, and fire districts (where applicable). The County should begin with the largest of these entities.
   - The County should prioritize discussions in municipalities where known PA applications are forthcoming.
2. **Build partnerships with municipalities.** Many of the recommendations on clear processes, shorter timelines, and training assistance can also help build the County's partnership with municipalities. In addition, the County should continue to offer opportunities for municipalities to weigh in on the success of the PA participation process and on resources they may need to meet County requirements. The County may also help connect municipalities to additional funding tools or opportunities to reduce reliance on TIF.

Example TIF Participation Policy

CANYONS SCHOOL DISTRICT

Policy 200.5 (TIF Participation)

- Indicates preferred terms
- Describes fiscal considerations used in evaluation
- Considers community's performance on past PAs
- Lists additional policy considerations
- Identifies required meetings and public readings
- Limits participation based on other Taxing Entity contributions
- Identifies required 3rd party analyses and estimated costs (up to $5,000)

NEXT STEPS TO IMPROVE "BUT FOR" ANALYSIS

The County should undertake a series of steps to improve PA due diligence and outcomes

3 MONTHS

Improve "But For" Analysis

Clarify the Process

1. Outline due diligence requirements, define the essential pieces of each, and identify who is responsible for completing
   - Pro forma analysis for Site PAs
   - Market analysis for all PAs
   - Distress analysis for District PAs
   - Create templates (where applicable)
2. Estimate typical due diligence costs and process for PAs to repay any third-party costs of establishment
3. Establish a consistent timeline with committed benchmarks
4. Clarify eligible project types and expenditures

6 MONTHS

Improve "But For" Analysis

Clarify the Process

5. Review required analyses and best practices with the major RDA and PA consultants
6. Create a scorecard to analyze the PA overall and alignment with priorities

18 MONTHS

Build Capacity for Jurisdictions to Assess PAs

Collaborate with Taxing Entities and Municipalities

7. Identify partners for training and technical assistance
8. Create templates or guides, expand trainings, etc.
9. Coordinate with major taxing entities with upcoming PA applications
10. Connect municipalities to training, funding, and other resources

When new rules or standards are set, clearly communicate these changes and the effective date to partners so they can adjust future proposals. For existing proposals, use a flexible approach that (1) acknowledges the rules or standards at time of project submittal and (2) attempts, if necessary, to provide sufficient additional information to help the County assess its participation. Consider a temporary freeze on applications when new policies or processes are being developed to avoid having projects submitted in a period of changing policy.

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VISION | ECONOMICS

MARKET ANALYSIS AND REAL ESTATE ECONOMICS

STRATEGY

DEVELOPMENT STRATEGY AND PLANNING

FINANCE | IMPLEMENTATION

PUBLIC-PRIVATE PARTNERSHIPS AND IMPLEMENTATION

LIMITATIONS OF OUR ENGAGEMENT

Our deliverable is based on estimates, assumptions and other information developed from research, knowledge of the industry, and meetings with the County and selected interviewees during which they provided us certain information. The sources of information and bases of the estimates and assumptions are stated in the report. Some assumptions inevitably will not materialize, and unanticipated events and circumstances may occur; therefore, actual results achieved during the period covered by our analysis will vary from those described in our deliverable, and the variations may be material. Our deliverable will contain a statement to that effect.

The terms of this engagement are such that we have no obligation to revise the deliverable to reflect events or conditions which occur subsequent to the date of the deliverable. However, we will be available to discuss the necessity for revision in view of changes in the economic or policy factors affecting the proposed project.

Our deliverables will be intended for your information and submission to Salt Lake County in support of a change to its TIF policy and should not be relied upon for any other purposes.

We acknowledge that upon submission to the County the report may become a public document within the meaning of the Freedom of Information Act. Nothing in these limitations is intended to block the disclosure of the documents under such Act.