

# B-3: Administrative Procedures Tax Increment Financing



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## REFERENCES

[Board Policy B-3](#)

[Utah Code Ann. §17C-1-101 et seq., Community Reinvestment Agency Act](#)

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## DEFINITIONS

The following definitions are provided for use with these specific administrative procedures and should not be used for other purposes.

**Administrative fee:** The percent of the project budget that is dedicated to the redevelopment agency's administrative expenses.

**"Agency" or "community reinvestment agency" or "redevelopment agency" or "community development and renewal agency":** A separate legal entity used by local government to implement the housing development, economic development, and/or urban renewal goals of communities. (For a more expansive definition, see Utah Code Ann. §17C-1-102(4).)

**Base taxable value:** The starting taxable value at the onset of a project area. The base taxable value is the assessed value of all the already existing parcels within a project area. (For a more expansive definition, see Utah Code Ann. §17C-1-102(8).)

**Base year:** The year for which the Base Taxable Value is assessed and recorded. (For a more expansive definition, see Utah Code Ann. §17C-1-102(9).)

**Interlocal Agreement (IA):** An agreement or contract between two or more governmental entities; for purposes of these procedures, the IA is between the school district and the Agency.

**Project area:** An officially adopted geographic area within which the Agency provides funds for development projects. (For a more expansive definition, see Utah Code Ann. §17C-1-102(46).)

**Project area plan:** An urban renewal project area plan, an economic development project area plan, a community development project area plan, or a community reinvestment project area plan that, after the project area plan's effective date, guides and controls the project area development. (For a more expansive definition, see Utah Code Ann. §17C-1-102(51).)

**Tax increment:** The increase (or "increment") in the property taxes generated within a project area, over and above property taxes generated in that same area prior to the establishment of the project area. (For a more expansive definition, see Utah Code Ann. §17C-1-102(61).)

**Tax-Increment Financing (TIF):** A term for a process in which municipalities use a portion of future tax revenue from a given area to incentivize private development in that area. TIF allows redevelopment agencies to capture all or a portion of tax increment within the project area for a given period of time. This tax increment can then be reinvested in the area through incentivizing private investment and completing infrastructure projects.

**Trigger Year:** The first year a project area begins collecting tax increment.

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## PROCEDURES FOR IMPLEMENTATION

### I. Review by Subcommittee and Board

- A. All requests for district participation in tax increment financing will be initially reviewed by the board's finance subcommittee.
  1. The subcommittee may invite any qualified individual to assist the sub-committee in reviewing the proposal.
- B. The proposing Agency should contact the business administrator to schedule an initial discussion with the subcommittee.
  1. Prior to the scheduled meeting, the Agency must provide the sub-committee with a preliminary report that outlines how the request addresses the financial considerations and additional considerations outlined below in Sections II and III.
- C. If the proposal receives a positive review from the subcommittee, the subcommittee will recommend that the board schedule a study session to discuss the proposal.
  1. The proposing Agency may be asked to present to the board during the study session.
  2. During the study session, the board should review all relevant data, including but not limited to the last ten years of property valuation for the proposed project area.
- D. After an initial discussion in a study session, the board may choose to study the proposal further or place the proposal on its discussion agenda at an upcoming public board meeting.

1. Multiple discussions, either in study session, on the discussion agenda, or both, may be necessary before the board finalizes its decision.
2. The board may direct the superintendent and business administrator to obtain stakeholder input regarding the district's participation in the project.
- E. At any step in this process, the board may require that a third-party report be provided by an outside qualified consultant, selected by the board, and paid for by the Agency.
  1. The consultant will have experience in the redevelopment process, tax increment financing, and budget financing.
  2. The report will include:
    - a. An analysis of return-on-investment, including net present value calculations;
    - b. An analysis of the taxable value of the area over the last ten (or twenty) years;
    - c. An analysis of the impact of District participation versus non-participation; and
    - d. An opinion regarding whether participation in the tax increment project is in the best interests of the District's current and future students;
    - e. An analysis of whether the Project is consistent with the Board's Sustainability Resolution; and
    - f. An independent analysis of how the request addresses the considerations outlined below in Sections II and III.
  3. The consultant may also be involved in reviewing the inter-local agreement for tax increment participation.

## II. Financial Considerations

In reviewing a request for tax increment participation, the board may consider the following questions:

- A. Does the development grow the tax base of the district?
- B. Does the request contain a dollar cap on the district contribution?
  1. New projects should generally include a dollar cap on the district's contribution to the project.
- C. What is the period for the district's participation in the project?
  1. Preference will be given to projects with shorter terms.
  2. Projects greater than fifteen years should not be entered into by the board unless they propose an extraordinary benefit to the district.
- D. What are the administrative fees associated with the project?
  1. Preference will be given to projects having an administrative fee lower than 3%.
- E. What is the proposed trigger date?
  1. Preference will be given to projects in which the trigger date is the same as the base year.
- F. Does the request increase the assessed valuation of the project area and consequently the district while minimizing impact on services required?
- G. Does the project provide for partnerships in education when practicable?
  1. Preference will be given to projects that provide for an additional future return on the district's investment in the form of donations, programmatic support of key district programs, use of space/facilities, etc.
- H. Does the request articulate why the proposed project will not perform without the use of a portion of the district's tax revenue and/or evaluate how likely the project would otherwise occur within a reasonable time period without participation from the district?
  1. Projects should generally request a higher percentage of increment contribution from Salt Lake City ("City") than from the district.
  2. The board will not support a project for which the City is not equally committed in terms and/or participation.
- I. Has a financial and public benefit analysis been conducted?
- J. Will the district and Agency collaborate on the use of housing set aside funds in order to benefit the district?
- K. Does the request demonstrate current and future economic benefit for the district and not create a long-term financial effect that limits the district's ability to adequately serve students?

## III. Additional Consideration

The board may also consider these additional items in determining their participation in funding a requested development project:

- A. Use of tax increment financing with priority going to development projects that increase and improve the affordable housing stock for families in the City, creates employment, and addresses safety issues for students and schools within the project area.
  1. The board will evaluate the number of projected new jobs and the projected impact of new district enrollments.
- B. Request has the participation of the other taxing entities.
  1. Special consideration may be given if the project provides the district additional financial benefit beyond what other taxing entities receive (e.g. land, dollars, percent increment, mitigation payment, etc.).

- C. Past performance of other approved tax increment participation projects.
- D. Request must be reasonable and can be accomplished within the parameters of the project area plan.
- E. The project will provide a broad-based benefit to the community which outweighs the financial cost to district taxpayers.
  - 1. All projects approved by the district will be made with the expectation that the City will not raise offsetting property tax rates, holding taxpayers harmless.
- F. The likelihood of the Project's development without the district's participation.
- G. Does the project include transportation investments that might improve the attendance of students, particularly students from vulnerable populations?

**IV. Annual Review of Existing Tax Increment Financing Agreements**

- A. The Agency shall be available to provide an annual review to the board of all existing tax increment financing projects in which the district is participating.
  - 1. The presentation shall be held during a regularly scheduled open board meeting or study session.
- B. As part of the review, the Agency:
  - 1. Will provide a detailed account of the funds captured from the district's tax rate over the past year for each project.
  - 2. Will provide a report on the tax increment financing expenditures for each project.
  - 3. Will report on the overall progress of each project, the predicted end date of each project, and any legislation, city council or Agency board action that might extend the date or scope of any project.
  - 4. Will address any areas of board concern related to the considerations outlined in these administrative procedures.