

AMENDED DRAFT PROJECT AREA BUDGET CANYONS CENTRE COMMUNITY DEVELOPMENT AREA (CDA)

PREPARED FOR:

COMMUNITY DEVELOPMENT AND RENEWAL AGENCY
OF COTTONWOOD HEIGHTS, UTAH



ADOPTED: _____, 2018


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Section 1: Introduction

The Community Development and Renewal Agency of Cottonwood Heights (the “Agency”), following thorough consideration of the needs and desires of the City of Cottonwood Heights (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”), as amended, for the Canyons Centre Community Development Project Area (the “Project Area”). The Plan is the end 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 lies just south of the southwest corner of the intersection of Fort Union Boulevard and Wasatch Boulevard.

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 development project pursuant to certain provisions of Chapters 1 and 4 of the Utah Community Development and Renewal Agencies Act (the “Act”, Utah Code Annotated (“UCA”) Title 17C). The requirements of the Act, including notice and hearing obligations, have been observed at all times throughout the establishment of the Project Area.

Section 2: Description of Community Development Project Area

The Project Area lies entirely within the boundaries of the City and is located on the eastern side of the City just south of the southwest corner of the intersection of Fort Union

TABLE 2.1: PROPERTY DESCRIPTION

Owner	Parcel ID	Acres
Canyons Centre Capital LLC	22-25-176-017	5.64
Canyons Centre Capital LLC	22-25-176-018	5.26
Total		10.90

Boulevard and Wasatch Boulevard. This area in particular serves as a gateway to Big Cottonwood Canyon and receives significant vehicle traffic on a daily basis which creates both opportunity and increased service demand. The property encompasses approximately 10.90 acres of land.

The Project Area encompasses all of the parcels detailed in **TABLE 2.1: PROPERTY DESCRIPTION**.

A map and legal description of the Project Area are attached hereto in **APPENDIX 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. 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. The Project Area Budget also describes the percentage and length of time over which Tax Increment will be remitted to the Agency in order to implement the Project Area Plan.

Base Year Value and Base Taxes

The Agency has determined that the base year property tax value for the Project Area will be the total taxable value for the 2016 tax year which is estimated to be Three Million Eight Hundred and Forty-Two Thousand and Four Hundred Dollars (**\$3,842,400**).

Using the 2016 tax rates established within the Project Area the base year property taxes levied equate to \$50,228 annually. Accordingly, this amount will continue to flow through to each taxing entity proportional to the amount of the tax rate being levied.

Payment Trigger

This Budget will have a twenty-five-year (25) duration from the date of the first tax increment receipt. 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, 2018, Year 1 of increment will be 2019. The Agency anticipates it will trigger the tax increment by March 1, 2019 but in no case will the Agency trigger increment collection after March 1, 2021.

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. New development began in the Project Area in 2017. 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 2019 or as late as 2021. It is currently estimated that during the 25-year life of the Project Area Budget, property Tax Increment could be generated within the Project Area in the approximate amount of **\$16.68 million** or at a net present value (NPV)¹ of **\$14.96 million**. This amount is over and above the \$1.26 million of base taxes that the property would generate over 25 years at the \$50,228 annual amount it currently generates as shown in Table 4.1 below.

¹ Net Present Value of future cash flows assumes a 0.85% discount rate, which was the PTIF rate during this analysis period. The same 0.85% discount rate is used in all remaining property tax increment 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 (Base Taxes)

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 taxable value is estimated to be Three Million Eight Hundred and Forty-Two Thousand and Four Hundred Dollars (**\$3,842,400**). Based upon the 2016 tax rates in the Project Area, the collective taxing entities are receiving \$50,228 in property tax annually from this Project Area. This equates to approximately \$1,255,696 over the twenty-five year life of the Project Area.

TABLE 4.1: TOTAL BASE YEAR TO TAXING ENTITIES (OVER LIFE OF PROJECT AREA)

Entity	Total	NPV at 0.85%
Salt Lake County	\$227,758	\$204,407
Salt Lake County Library	61,382	55,089
Canyons School District	620,836	557,184
Cottonwood Heights City	198,268	177,940
South Salt Lake Valley Mosquito Abatement District	1,729	1,552
Central Utah Water Conservancy District	38,424	34,485
Cottonwood Heights Park & Recreation Service Area	107,299	96,298
Total Revenue	\$1,255,696	\$1,126,955

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, except Salt Lake County & Library and the Canyons School District will contribute 75% of their respective Tax Increment for 25 years. Salt Lake County & Library will contribute 100% of their respective Tax Increment for 23 years. The Canyons School District will contribute 100% over 23 years, but 30% of their increment will be remitted back to them each year by the Agency over those 23 years. 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 0.85%
Salt Lake County	100%	23 Years	\$2,783,354	\$2,517,887
Salt Lake County Library	100%	23 Years	750,132	678,587
Canyons School District	100%	23 Years	6,720,256	6,080,780
Cottonwood Heights City	75%	25 Years	1,975,642	1,772,653
South Salt Lake Valley Mosquito Abatement District	75%	25 Years	17,229	15,459
Central Utah Water Conservancy District	75%	25 Years	382,876	345,537
Cottonwood Heights Park & Recreation Service Area	75%	25 Years	1,069,182	959,328
Total Sources of Tax Increment Funds			\$13,698,672	\$12,368,231

Uses of Tax Increment

The majority of the Tax Increment collected by the Agency will go towards the construction of the parking structure within the Project Area. The Agency will use a portion of the Tax Increment for park improvements, and 5% of the Tax Increment will be used for Project Area administration (no portion of County Tax Increment will be used for Project Area administration).

TABLE 4.3: USES OF TAX INCREMENT

Uses	Total	NPV
Developer Loan Repayment (Parking Structure)	\$2,297,125	\$1,750,000
County Loan Repayment (Parking Structure)	7,750,000	6,954,426
School District Tax Increment Remittance	2,016,077	1,824,234
Park Improvements	771,527	751,750
Project Area Administration	407,455	367,376
Parking Structure O&M	456,488	408,836
Total Uses of Tax Increment Funds	\$13,698,672	\$12,056,622²

A multi-year projection and forecast of Tax Increment, along with participation percentages, uses of Tax Increment and other description of sources and uses of funds is included in **APPENDIX B**.

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

As described above, the collective taxing entities are currently receiving approximately \$50,228 in property taxes annually from this Project Area. At the end of the life of the project area, the taxing entities will receive all their respective tax increment thereafter. At the end of 25 years an additional \$668,886 in property taxes annually is anticipated, totaling approximately \$719,114 in property taxes annually for the area. But for the assistance provided by the RDA through tax increment revenues, this increase of approximately 1,332 percent 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	\$9,110	\$121,323	\$130,433
Salt Lake County Library	2,455	32,697	35,152
Canyons School District	24,833	330,708	355,541
Cottonwood Heights City	7,931	105,614	113,545
South Salt Lake Valley Mosquito Abatement District	69	921	990
Central Utah Water Conservancy District	1,537	20,468	22,005
Cottonwood Heights Park & Recreation Service Area	4,292	57,156	61,448
Total Revenue	\$50,228	\$668,886	\$719,114

Section 5: Cost/Benefit Analysis

Additional Revenues

Other Tax Revenues

The development within the Project Area will also generate sales tax, transient room tax, energy sales and use taxes for natural gas and electric, as well as telecom taxes.

² The variance between the NPVs of Sources of Funds and Uses of Funds is due to the Developer's loan having a higher rate than 0.85%.

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

TABLE 5.1: TOTAL ENTITY REVENUES

	Property Tax Increment	Sales Tax	Transient Room Tax	Franchise Tax	Total
Salt Lake County (Library)	\$3,841,526	\$1,020,950	\$5,650,488	-	\$10,512,964
Canyons School District	8,248,432	-	-	-	8,248,432
Cottonwood Heights City	2,634,189	504,173	1,189,577	774,158	5,102,097
South Salt Lake Valley Mosquito Abatement District	22,973	-	-	-	22,973
Central Utah Water Conservancy District	510,502	-	-	-	510,502
Cottonwood Heights Park & Recreation Service Area	1,425,576	-	-	-	1,425,576
Total Revenue	\$16,683,197	\$1,525,123	\$6,840,065	\$774,158	\$25,822,544

Additional Costs

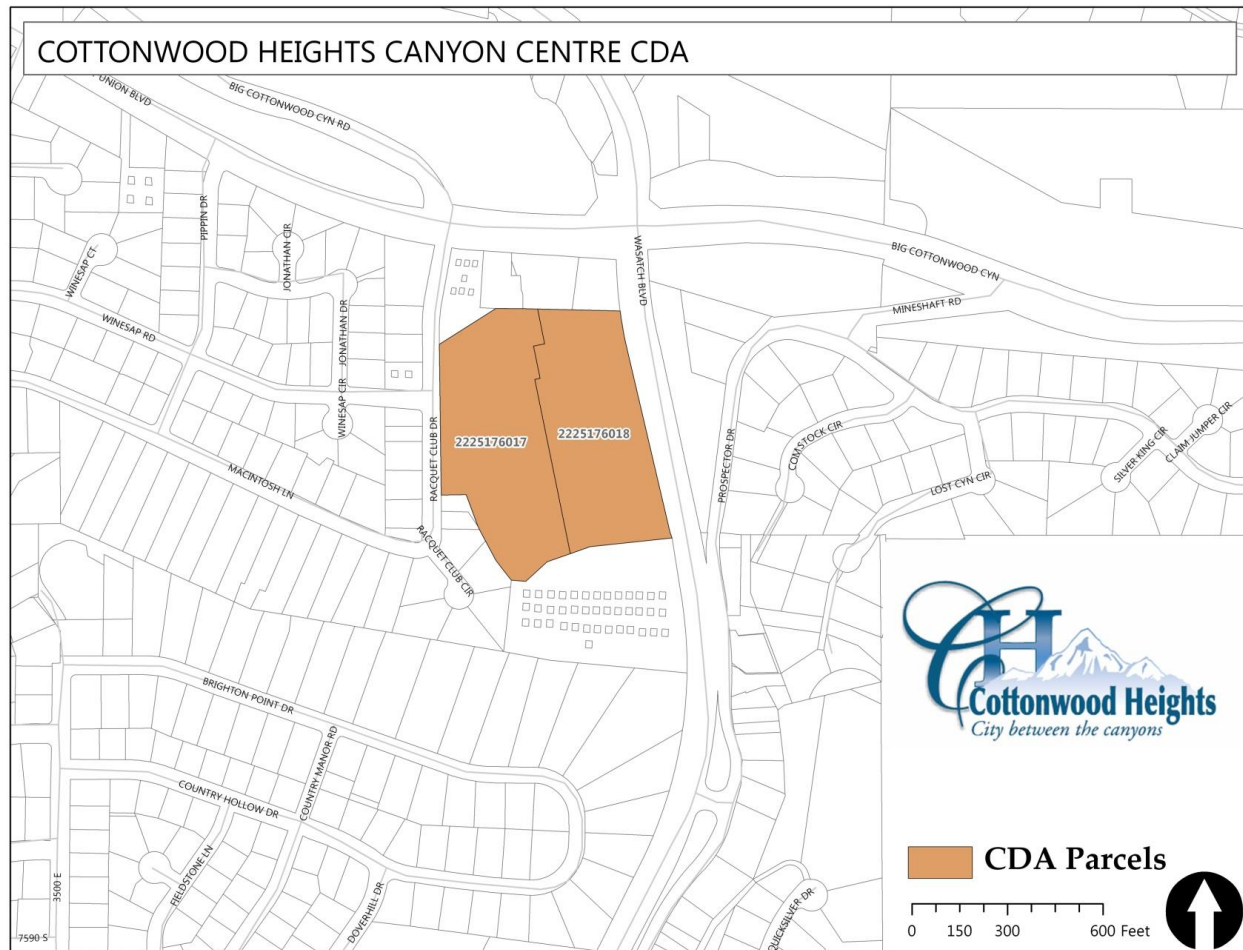
The development anticipated within the Project Area will also likely result in additional general government, public works, and public safety costs. These costs, along with the estimated budget to implement the Project Area Plan are identified below.

TABLE 5.2: TOTAL ENTITY EXPENDITURES

	Estimated CDA Budget	General Government	Public Works	Public Safety	Total
Salt Lake County (Library)	\$3,533,486	\$189,660	-	-	\$3,723,146
Canyons School District	4,704,179	\$398,320	-	-	5,102,499
Cottonwood Heights City	1,975,642	\$155,973	\$179,368	\$640,507	2,951,490
South Salt Lake Valley Mosquito Abatement District	17,229	\$1,179	-	-	18,408
Central Utah Water Conservancy District	382,876	\$6,038	-	-	388,914
Cottonwood Heights Park & Recreation Service Area	1,069,182	\$17,051	-	-	1,086,233
Total Expenditures	\$11,682,594	\$768,221	\$179,368	\$640,507	\$13,270,690

The total net benefit to the taxing entities of implementing the Project Area is approximately **\$12,551,854**, with the City's net benefit being **\$2,150,607**.

Appendix A: Map and Legal Description





The following described real property is located in Salt Lake County, Utah:

Beginning on the east line of Racquet Club Drive at a point South $89^{\circ}59'07''$ East along the Quarter Section line 1199.11 feet and North 109.58 feet from the West Quarter corner of Section 25, Township 2 South, Range 1 East, Salt Lake Base and Meridian (As surveyed section tie - Beginning on the east line of Racquet Club Drive at a point East 1198.53 feet and North 108.09 feet from the West Quarter corner of Section 25, Township 2 South, Range 1 East, Salt Lake Base and Meridian, Basis of Bearing being South $00^{\circ}03'19''$ East - 2672.45 feet between the West Quarter corner and the Southwest corner of said Section 25) and running thence North along said east line 490.42 feet; thence North $57^{\circ}34'49''$ East 210.68 feet; thence South $87^{\circ}44'40''$ East 406.36 feet to the west line of Wasatch Boulevard; thence along the west line of Wasatch Boulevard for two (2) courses as follows; along the arc of a 1482.69 foot radius curve to the left 136.953 feet (the chord bears South $8^{\circ}53'50''$ East 136.904 feet); thence South $11^{\circ}31'30''$ East 596.71 feet to the north line of the Canyon Racquet Club Condominiums; thence along the north line of said Canyon Racquet Club Condominiums four (4) courses as follows: South $86^{\circ}30'$ West 251.63 feet; thence South $70^{\circ}30'$ West 142.96 feet; thence South $47^{\circ}30'$ West 90.00 feet; thence North $86^{\circ}00'$ West 46.20 feet; thence North $35^{\circ}00'$ West 82.40 feet; thence North $34^{\circ}16'39''$ West 102.62 feet; thence North $20^{\circ}20'26''$ West 107.65 feet; thence West 83.44 feet to the POINT OF BEGINNING.

Containing 474,587 Sq. Ft. or 10.895 acres more or less

Right of way Easement

Together with a perpetual easement and right of way for ingress and egress and for public and private utilities and for the construction, operation and continued maintenance and repair of a roadway on, in, over, across, through, or under the surface of a strip of land described in mesne documents of record and more particularly described in that certain Quit Claim deed dated August 7, 1978 by and between Victor S. Merrill and Marian Y. Merrill, his wife, and Mountain Four, Ltd., a Utah limited partnership, as Grantors and G.H. Bagley, Inc., a Utah corporation, as Grantee, recorded August 11, 1978 as Entry No. 3151481 in Book 4721 at Page 165 of Salt Lake County Recorder's office; which easement and right of way shall be for the benefit of and appurtenant to and shall pass with title to the tract of land described above which is commonly known and referred to as the Canyon Racquet Club property.

Property Address: 3700 East 7000 South, Cottonwood Heights, Utah 84121

Appendix C: Multi-Year Budget

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Updated: October 17, 2018

¹ The RDA has agreed to fund the park improvements within the first 5 years of receiving tax increment, with the understanding that there may be an annual shortfall in tax increment revenues at the current projections. After the initial 5 years, the remaining tax increment will be used to repay this deficit, fund some costs of the O & M, and fund the projected deficit during the final 5 years of the tax increment period.