



SALT LAKE COUNTY TIF POLICY EVALUATION

Findings and Recommendations

Council Presentation: May 25, 2021



VISION
ECONOMICS
STRATEGY
FINANCE
IMPLEMENTATION

ABOUT SB FRIEDMAN

- Founded in 1990
- Based in Chicago; operating nationally
- We work from Vision to Deal
- National leaders in public-private partnerships
 - Council of Development Finance Agencies
 - American Planning Association
 - Urban Land Institute - Public Private Partnership Council
- \$5 billion in PPPs for \$28 billion in projects
- Registered with MSRB as a Municipal Advisor

PROJECT TEAM



Fran Lefor Rood, AICP
Senior Vice President
Project Principal



Lance Dorn, AICP
Vice President



Elizabeth Schuh
Special Project Manager

AGENDA

PROJECT GOALS

UTAH TIF AND POLICY 1155

PROJECT AND INTERVIEW FINDINGS

BEST PRACTICES AND CASE STUDIES

RECOMMENDATIONS

PROJECT GOALS

1. Evaluate County policies and practices regarding the use of tax increment financing (TIF)
 - Policy 1155
 - Past and proposed Project Areas
 - Interviews with municipalities, organizations and private developers
2. Identify national best practices for strengthening “but for” and due diligence analyses
3. Provide recommendations to improve the County’s review process and strengthen the “but for” argument

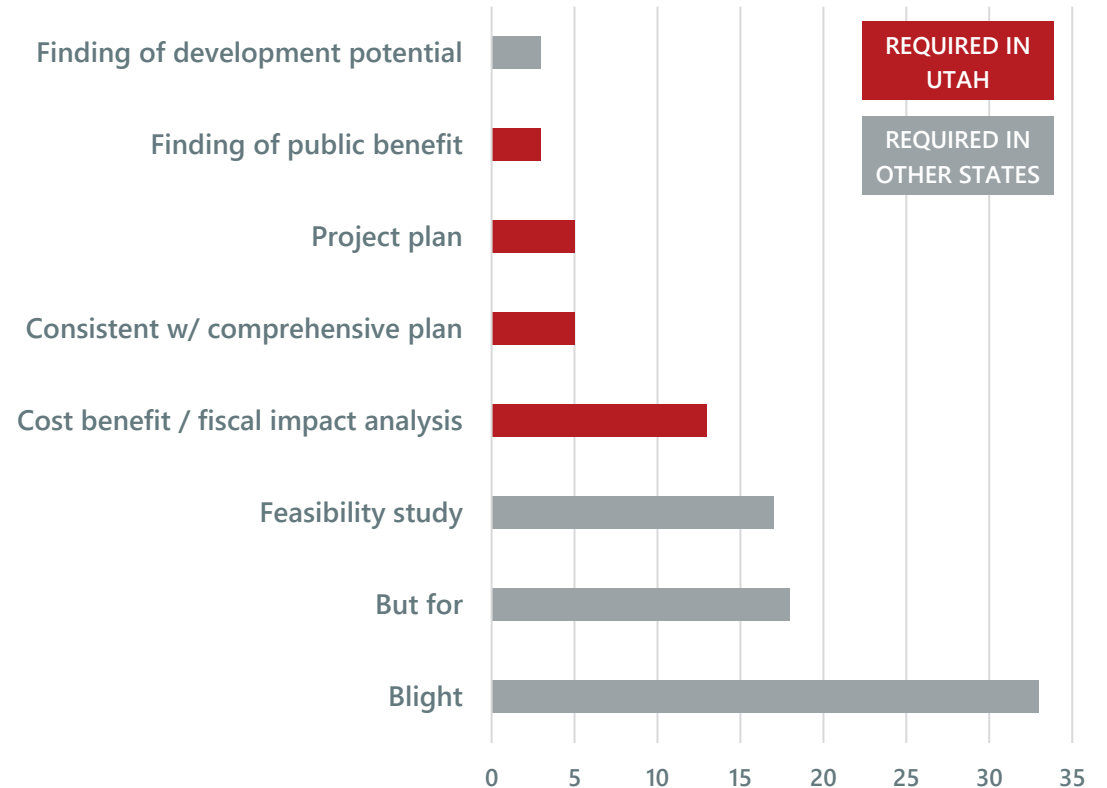
UTAH TIF AND POLICY 1155

HOW TIF WORKS IN UTAH

TIF is a broad economic development tool

- Can be used for broad economic development activities*
- Can fund public infrastructure and vertical development
- Evolution mirrors other states:
 - Transition from blight remediation to a range of economic development purposes
 - Creation of larger TIF districts to improve corridors or neighborhoods
- Current UT PA establishment requirements:
 - Primarily qualitative findings and elements
 - No blight analysis** or strong “but for” assessment

TIF Establishment Findings Required in 50 States and DC



* Subsection 17C-5-105(12) requires “an analysis or description of the anticipated public benefit resulting from PA development, including benefits to the community's economic activity and tax base;”

** PAs must establish a finding of Development Impediment (blight) to utilize eminent domain

Source: SB Friedman analysis of Project Area plans, budgets, and ordinances

POLICY 1155

Provides a range of opportunities for participation

- Aims to provide a standard TIF participation review process to:
 - Focus County investments
 - Offer flexibility for project and community types
- Assesses PAs via favorable and unfavorable criteria
 - Emphasizes attracting jobs in traded industries or new jobs and implementing policy priorities
 - Limits investment in retail, market-rate residential, and projects that move jobs within the County
- Potential for broad interpretation

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

Note: Unfavorable PA considerations 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.

Sources: Salt Lake County, SB Friedman

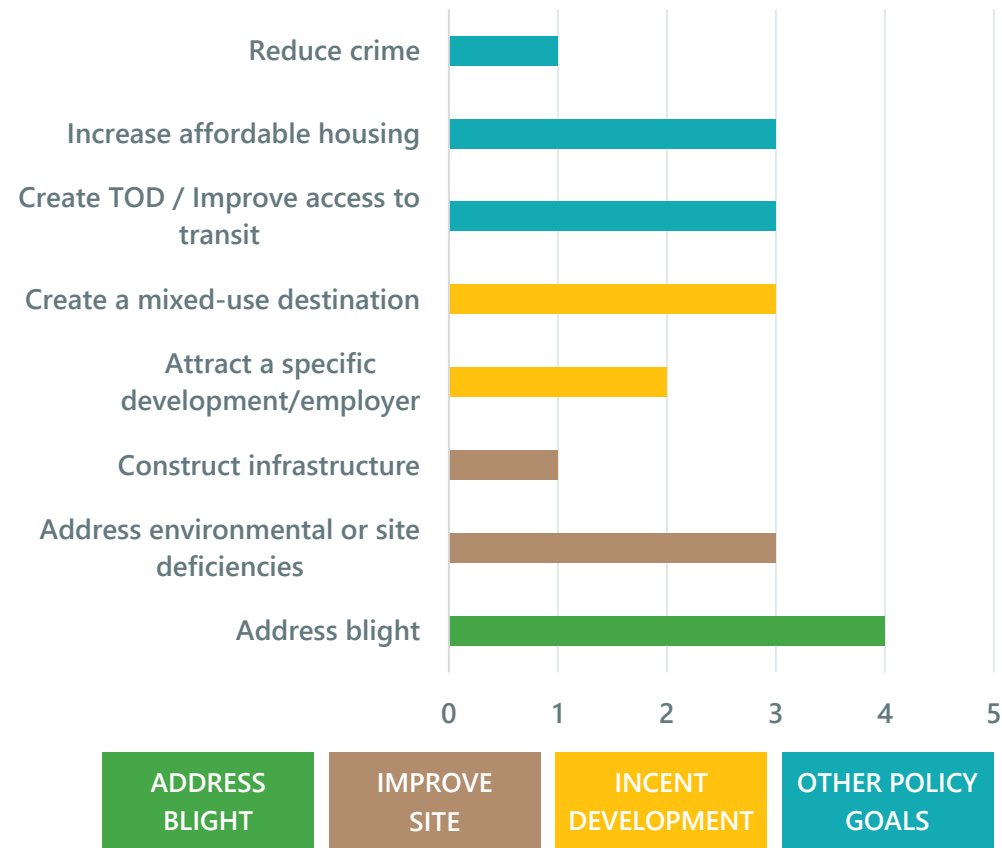
PROJECT AND INTERVIEW FINDINGS

SAMPLE PROJECT ANALYSIS AND INTERVIEWS

Two broad types of projects

- Reviewed 10 projects in 8 communities
- Interviews with 9 communities, developers, or economic development entities
- Two broad PA typologies:
 - Site-based:** Incent a single employer or developer to invest in jobs and/or a transformative development
 - District improvement:** Spur reinvestment in a larger area to promote (re)development, infrastructure investment, and/or economic development goals

Major Purposes of Nine Sample Project Areas



SAMPLE PROJECT ANALYSIS AND INTERVIEWS

General findings

Background

- TIF is the primary tool available, so it is used for a range of purposes
- Communities focus on meeting statutory guidelines
- Communities believe the County wants to be a good partner, but process can be improved

But-for analysis

- Few communities complete extensive quantitative analysis of PAs or projects
- Some undertake pro forma, market, and/or demographic analyses, and seem willing to target efforts to meet County needs
- Communities develop limited additional analyses for other taxing jurisdictions

Process Feedback

- County process lacks clarity and feels unpredictable
- Preference for standalone, large projects limits potential for infill redevelopment and small-scale projects

SAMPLE PROJECT ANALYSIS AND INTERVIEWS

General findings

Collaboration

- Coordinating requirements across taxing districts would streamline the process
- Communities are willing to engage with the County early in the process

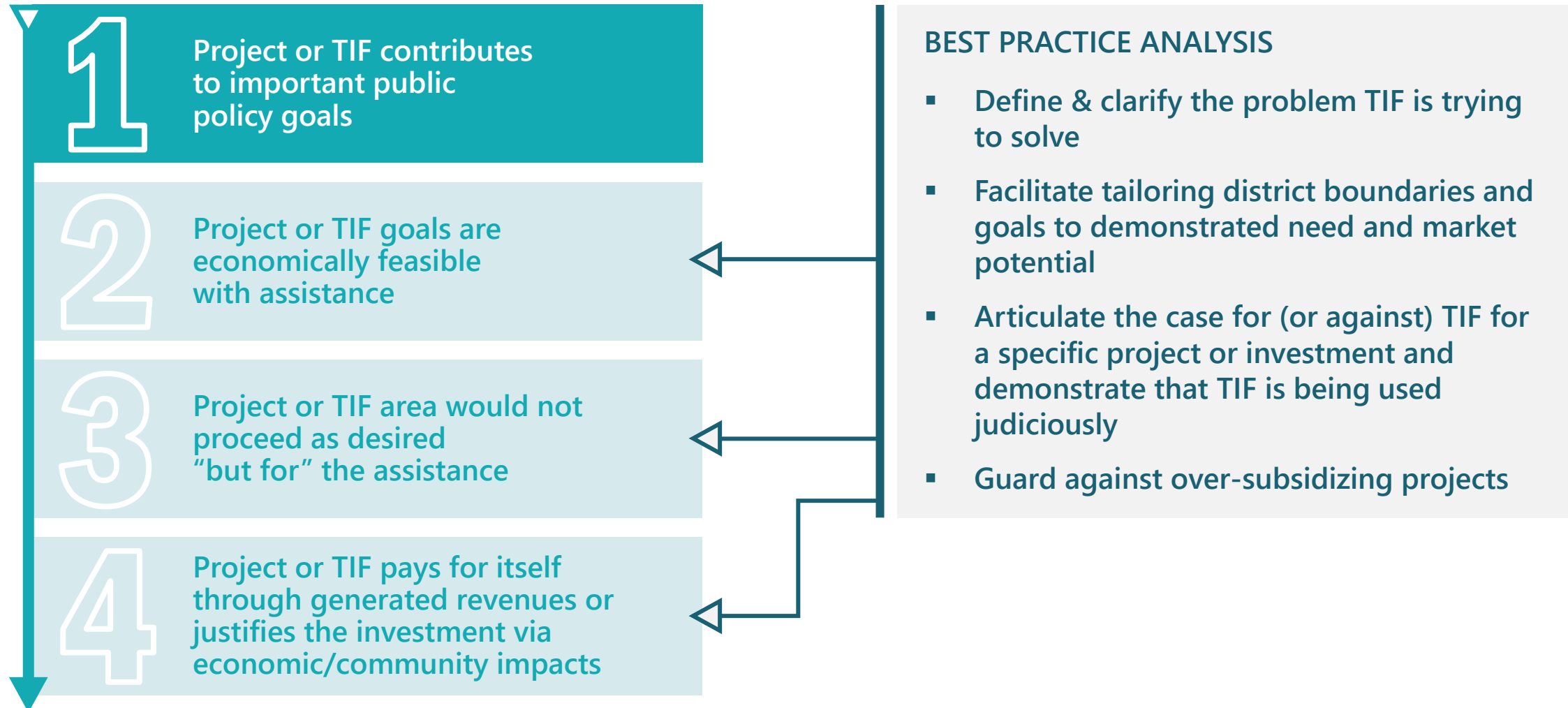
Knowledge and Capacity Issues

- Some staff are unaware of:
 - What constitutes a financial gap analysis and/or what best practices are
 - The role quantitative analysis can play in improving PA due diligence, budgets, and similar
- Changing municipal elected officials can slow processes and/or require education on TIF

BEST PRACTICES AND CASE STUDIES

BEST PRACTICES IN EVALUATING TIF DISTRICTS AND PROJECTS

Pairing goals with financial gap, “but for”, market and other analyses has strong benefits



NATIONAL CASE STUDY – PINELLAS COUNTY, FL

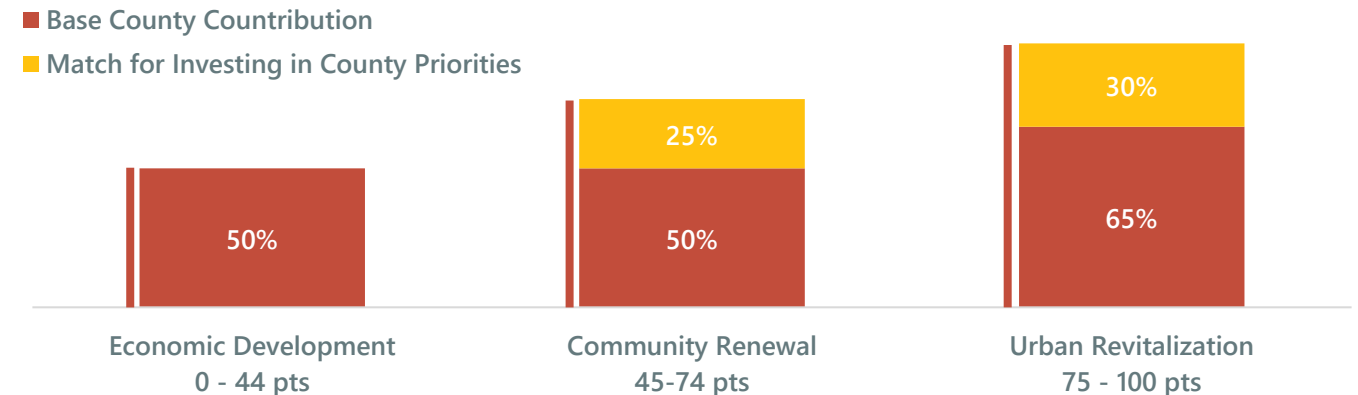
Participation negotiated based on area need and planned expenditures

Community Reinvestment Area (CRA) Type Scoring

Measure	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, or Secondary corridors	5
Possible Points	100

- Statute allows the County to negotiate its increment above a 50% minimum contribution
- Scoring establishes CRA type and the contribution range
- Final contribution adjusted for percentage of budget allocated to County policy priorities

Pinellas County Increment Contribution Percentage by CRA Type



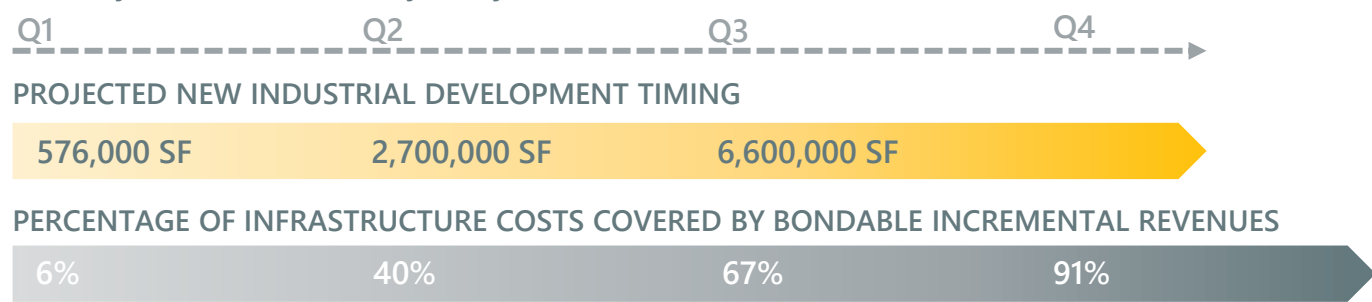
Market assessment to refine district boundaries and budgets

The map displays the following neighborhoods and districts in Boise, Idaho:

- West Downtown** (Top right)
- Downtown Boise** (Top right)
- Lusk District** (Top right)
- Southeast Boise** (Top right)
- Vista** (Bottom right)
- Hillcrest** (Bottom center)
- Borah** (Bottom left)
- Central Bench** (Bottom center)
- Morris Hill** (Center)
- Central Rim** (Center)
- Liberty Park** (Left)
- Winstead** (Top left)

Major streets shown include W. Main St, W. Myrtle St, W. Fairview St, W. Grove St, W. 14th St, W. 15th St, W. 16th St, W. 17th St, W. 18th St, W. 19th St, W. 20th St, W. 21st St, W. 22nd St, W. 23rd St, W. 24th St, W. 25th St, W. 26th St, W. 27th St, W. 28th St, W. 29th St, W. 30th St, W. 31st St, W. 32nd St, W. 33rd St, W. 34th St, W. 35th St, W. 36th St, W. 37th St, W. 38th St, W. 39th St, W. 40th St, W. 41st St, W. 42nd St, W. 43rd St, W. 44th St, W. 45th St, W. 46th St, W. 47th St, W. 48th St, W. 49th St, W. 50th St, W. 51st St, W. 52nd St, W. 53rd St, W. 54th St, W. 55th St, W. 56th St, W. 57th St, W. 58th St, W. 59th St, W. 60th St, W. 61st St, W. 62nd St, W. 63rd St, W. 64th St, W. 65th St, W. 66th St, W. 67th St, W. 68th St, W. 69th St, W. 70th St, W. 71st St, W. 72nd St, W. 73rd St, W. 74th St, W. 75th St, W. 76th St, W. 77th St, W. 78th St, W. 79th St, W. 80th St, W. 81st St, W. 82nd St, W. 83rd St, W. 84th St, W. 85th St, W. 86th St, W. 87th St, W. 88th St, W. 89th St, W. 90th St, W. 91st St, W. 92nd St, W. 93rd St, W. 94th St, W. 95th St, W. 96th St, W. 97th St, W. 98th St, W. 99th St, W. 100th St.

- # Gateway East URD Feasibility Study

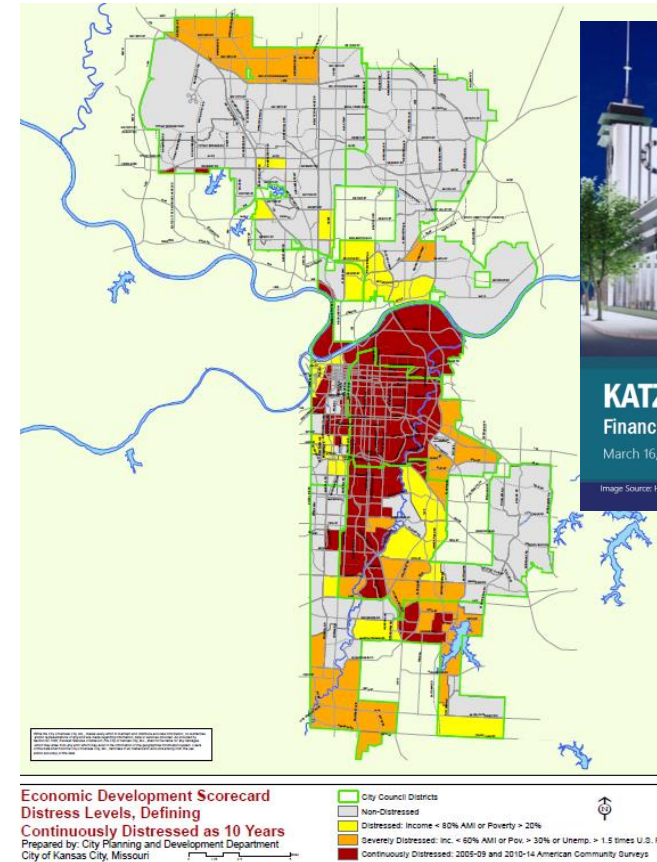


15

NATIONAL CASE STUDY – KANSAS CITY, MO

Independent financial gap analyses and regular convening of overlapping tax jurisdictions

- Economic Development Corporation of Kansas City (EDCKC) administers property tax abatement and TIF programs
- Impacted taxing districts meet regularly to evaluate requests for assistance
- Projects reviewed relative to public policy objectives in the AdvanceKC scorecard
- Third-party financial gap/"but for" analysis evaluates project's need for assistance



AdvanceKC Scorecard - Distressed Areas



Financial Gap/"But For" Analysis

UTAH CASE STUDY – DAVIS COUNTY

Quantitative evaluation paired with project discussions to foster partnerships

Davis County staff lead the process:

- Quantitative scoring tool sets initial term and maximum contribution
- Community need and county priorities are considered
- Two-month approval timeline

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			
Criteria:		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).	
		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 *	% 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
	18%	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

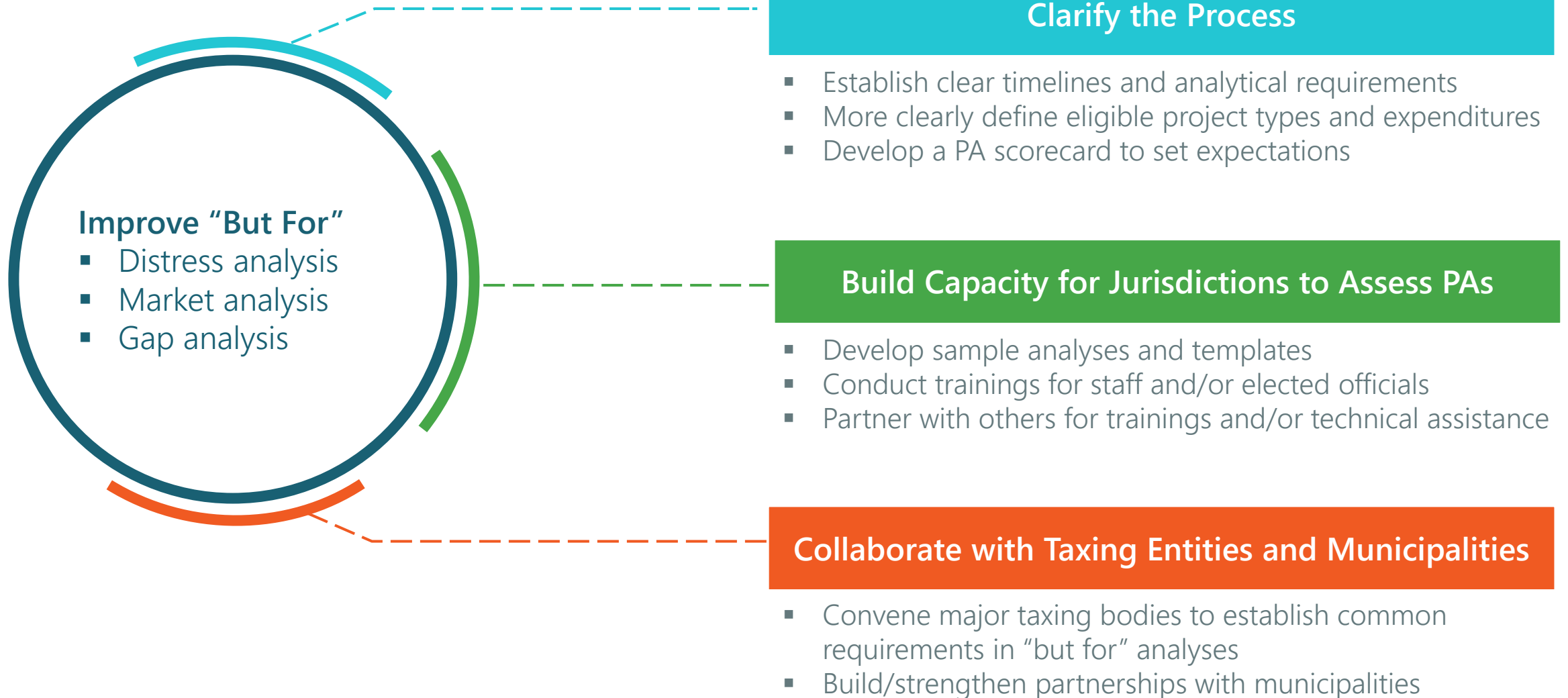
Matrix Policy statements/considerations: 1. All projects are given consideration-- the matrix offers flexibility and more participation for projects that meet more goals 2. Input on the matrix and project area is important from all tax entities, DUED, etc.--realizing we all share constituents. 3. Address 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.

RECOMMENDATIONS

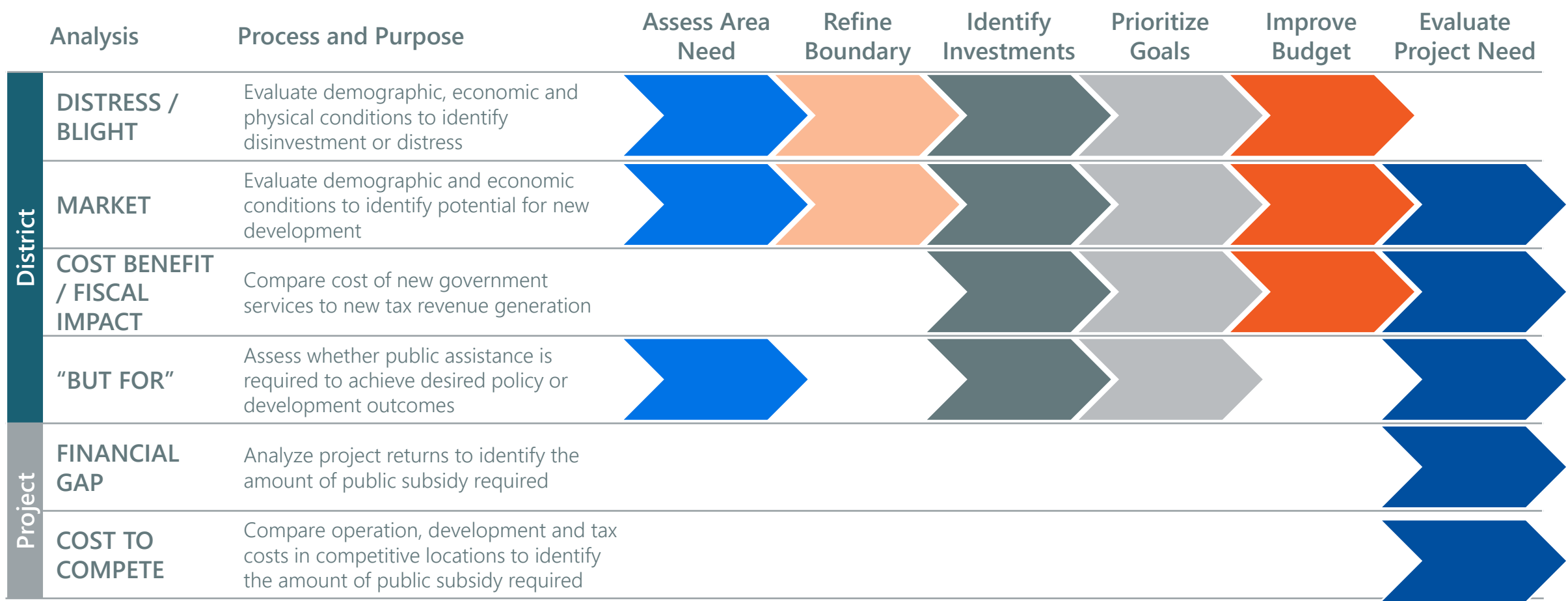
SUMMARY OF RECOMMENDATIONS

Establishing best practice due diligence requires a holistic approach



COMMON TIF DUE DILIGENCE ANALYSES

Quantitative analysis supports district creation and project incentive evaluation



IMPROVE “BUT FOR” ANALYSES

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

Current and recommended due diligence

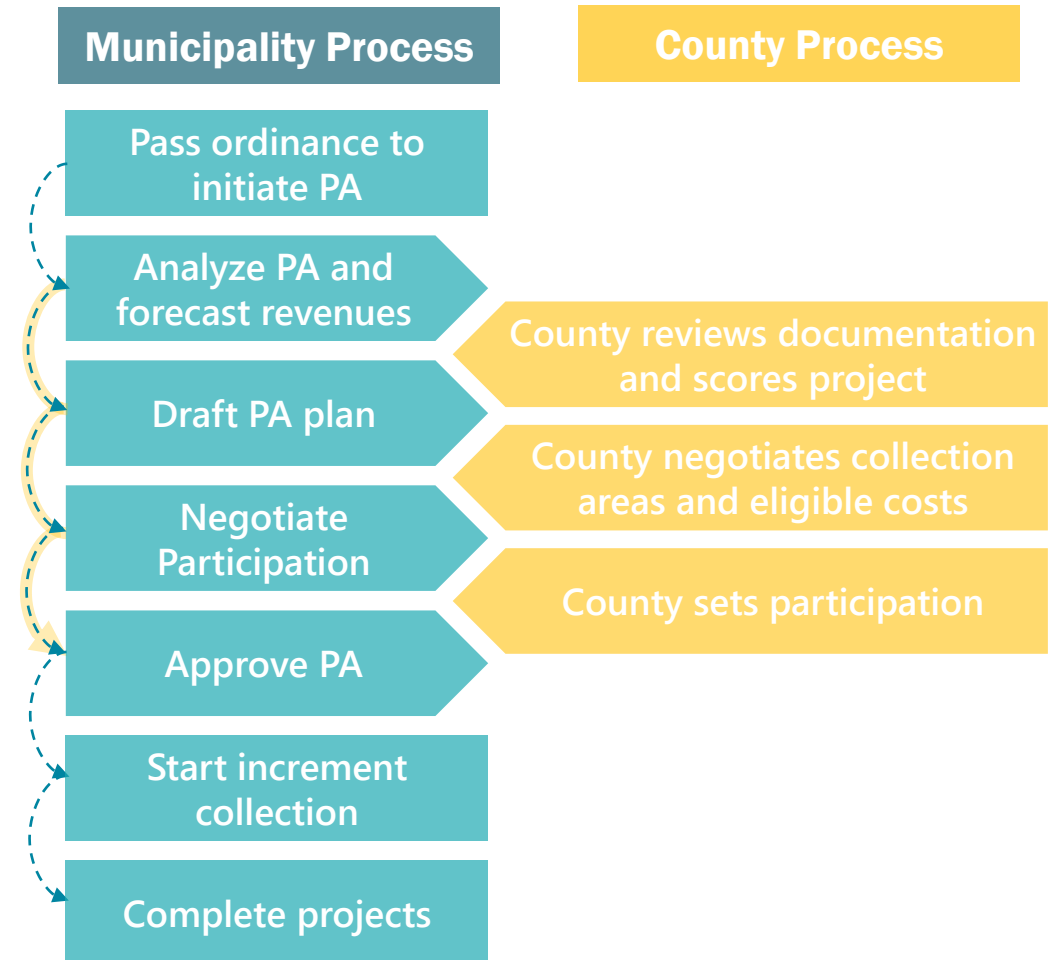
Common Analysis Types	Used in Sample Project Areas?		Recommendations	
	Site-Based	District Improvement	Site-Based	District Improvement
Distress / Blight	Yes – qualitative	In some cases – qualitative	No	Yes
Market	No	In some cases – not shared with County	Yes - developer provides	Yes - community leads
Cost Benefit / Fiscal Impact	Yes	Yes	Yes	Yes
“But for”	Yes – qualitative	Yes – qualitative	Yes – quantitative	Yes – quantitative
Financial Gap	No	No	Yes - project gap	Yes - prototypical gap
Cost to Compete	No	N/A	Where applicable	N/A

CLARIFY THE PROCESS

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

- Clarify eligible projects and expenditures to provide additional predictability
- Commit to a clear approval timeline that facilitates evaluation and typical development timelines
- Create a project scorecard to quantify the requirements of the current Policy 1155
- Grandfather previously submitted participation applications: announce planned policy revisions and temporarily freeze applications

Proposed County Role in PA Establishment



BUILD CAPACITY FOR MUNICIPALITIES TO ANALYZE PROJECTS

Improve resources and partner on training for TIF best practices

- Define what makes a good “but for” to aid implementation
- Develop supports for communities:
 - **Templates** for basic project analyses
 - **Trainings** through partners on best practices to improve “but for” analysis
 - Partnerships to provide **technical assistance**
- Establish a process to fund required analyses through PA increment

Potential Partners for Capacity Building



COLLABORATE WITH TAXING ENTITIES AND MUNICIPALITIES

Expanded partnerships can improve PA outcomes

- Coordinate with major taxing entities on PA evaluation timelines and analysis
 - Focus on school districts and fire districts
 - Begin in areas with upcoming PA applications
- Build partnerships with municipalities
 - Improve processes and resources
 - Continue to engage on Policy 1155 and implementation resources
 - Connect municipalities to funding tools or opportunities to reduce reliance on TIF

Example TIF Participation Policy



Policy 200.5 (TIF Participation)

- Indicates preferred terms
- Describes fiscal evaluation considerations
- Considers community's past PAs
- Lists additional policy factors
- Identifies required meetings and 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 and define due diligence requirements, and identify responsible party
 - 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 to fund any third-party costs
- 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 Develop a scorecard to analyze PAs 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.



221 N. LaSalle St, Suite 820

Chicago, IL 60601

312-424-4250 | sbfriedman.com

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.