

**MEADOW POINTE COMMUNITY REINVESTMENT PROJECT AREA
BUDGET**

ADOPTED _____



LEHI CITY

PIONEERING UTAH'S FUTURE

LEHI CITY REDEVELOPMENT AGENCY

Prepared by Marlin Eldred, Economic Development Director, Lehi City

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Section 1: Introduction

Per Utah Code § 17C-5-202(2), the Lehi City Redevelopment Agency (the “Agency”) is required to prepare a project area budget (“Budget”) for the Meadow Pointe Community Reinvestment Project Area (the “Project Area”). This Budget is based on projected development within the Project Area, which includes professional office space, restaurants, retail center, hotel, convenience store and multiple new car dealerships. As development takes time to occur, the Budget takes into account the timing of the development. The purpose of this Budget is to set forth the Agency’s good-faith projections about the impact of development within the Project Area on the Agency and the benefits to the individual taxing entities.

This budget meets the requirements of the Utah Limited Purpose Local Government Entities – Community Reinvestment Agency Act (the “Act”).

This Budget is prepared in good faith as a current reasonable estimate of the economic impact of projected development within the Project Area. Fundamental economic and other circumstances may influence the actual impact. With these assumptions, the information contained within this Budget represents the reasonable expectations of the Agency. The Agency makes no guarantee that the projections contained in this Budget for the Project Area accurately reflect the future development within the Project Area. Further, the Agency specifically reserves all powers granted to it under the Act, as amended; this Budget shall not be interpreted to limit or restrict the powers of the agency as granted by the Act. The actual amount of tax increment received by the Agency will be determined by interlocal agreement(s) between the Agency and the various taxing entities.

Section 2: Base Taxable Value (17C-5-303(1)(a))

The base value for the Project Area Budget is the total assessed value of property within the Project Area for the 2018 tax year which is estimated to be \$109,250,800. Based on the tax rate set for 2018, the real property within the Project Area generates approximately \$1,112,719.40 in annual tax revenue. The current project area is classified as regional commercial and resort community the property contains two professional office development and the rest is vacant land with limited road infrastructure but no other infrastructure or structures. The zoning designation is to drive a higher and better use of the property and facilitate continued growth in property tax by utilizing the vacant property void of infrastructure or buildings for development.

The base taxable value used to calculate the sharing of tax increment pursuant to interlocal agreements with the taxing entities will be set in each interlocal agreement as required by Utah Code § 17C-5-204(6)(a). The base year has been set as 2018. The Agency will be asking for personal and real property and sales and use tax participation from Lehi City only. The Agency wants the budget to reflect the tax increase to each taxing entity.

Section 3: Projected Amount of Tax Increment to be Generated Within the Community Reinvestment Project Area (17C-5-303(1)(b))

It is anticipated that construction within the Project Area will continue through 2018 with tax increment being generated beginning in 2019. The Agency anticipates receiving a portion of this tax increment pursuant to interlocal agreements with Lehi City. It is currently estimated that over a 10-year period, the tax increment to be generated by new development within the Project Area will be approximately \$22.101 million with approximately \$19.066 million in personal and real property tax and approximately \$3.035 million in sales and use tax. The real and personal property value is based on approximately \$271 million in investment in development in the Project Area (professional office space, restaurants, retail center, hotel, convenience store and multiple new car dealerships and service centers), the taxing entities would receive approximately \$17.353 million in tax revenue over the next 10 years from the real and personal property within the Project Area. Lehi City would receive approximately \$3.035 million in sales and use tax over the next 10 years within the Project Area. The Agency's detailed financial projections are shown on the spreadsheet attached hereto as **Exhibit A**.

Section 4: Each Project Area Funds Collection Period 17C-5-303(1)(c)

The Agency expects to receive tax increment from the Project Area for a period of ten years. The Agency will determine when tax increment collection will begin, or be "triggered" by the Agency. The Agency expects to trigger the tax increment collection period on or before March 1st, 2019. The actual details of the project area funds collection period will be set in the interlocal agreement(s) with Lehi City.

Section 5: The Projected Amount of Tax Increment to be Paid to Other Taxing Entities in Accordance With Section (17C-1-410) (17C-5-303(1)(d))

While it is anticipated that the personal and real property tax generation for the Project Area will be approximately \$19,066,065 over the 10 years, the agency will receive approximately 1,712,857 which is 50% of Lehi Cities tax valuation. It's anticipated that the agency will receive 50% of Lehi Cities sales and use tax for 10 years which is approximately \$3.035 million to facilitate development within the Project Area. Lehi City will receive the other 50% sales and use tax which is estimated at \$3.035 million.

Section 6: If the Area From Which Tax Increment is Collected is Less Than the Entire Community Reinvestment Project Area (17C-5-303(1)(e))

The Agency anticipates collecting personal and real property and sales and use tax increment from the entire Project Area. The Agency anticipates collecting tax increment for a period of 10 years. Actual details about the tax increment collection will be set in the interlocal agreement(s) with Lehi City.

Section 7: The Percentage and Maximum Cumulative Dollar Amount of Tax Increment the Agency is Authorized to Receive From the Community Reinvestment Project Area 17C-5-303(1)(f)-(g)

The Agency anticipates collecting 50 percent of Lehi Cities personal and real property and sales and use tax collected by the new development/new car dealership within the Project Area, with a maximum cumulative dollar amount of \$4,747,957. The budget shows \$3,035,100 which is 50% of the sales and use tax collected and \$1,712,857 which is 50% personal and real property. Of the \$4.747 million budget there is a 10% set aside for low to moderate housing of \$468,764. The budget total is \$4,757,957. The incentive agreement from 2011 is for 50% of the personal and real property and sales and use tax collected for Lehi

City for 10 years or \$4,747,957 whichever comes first. The maximum cumulative dollar amount that can or will be collected is \$4,279,193 for the incentive and \$468,764 for the low to moderate housing requirement. Per the 2011 agreement, the Agency is required to install all public infrastructure. The Agency will also reimburse Lehi City \$250,000 per dealership for impact fees up to \$1,000,000. It is anticipated that once all public infrastructure, land purchases and incentives are paid the Agency will close the Meadow Pointe CRA. If the public infrastructure and land purchase is paid but not all the incentives have been allocated the Agency will collect the Tax Increment Financing to cover the remaining fees. At that point the Agency will close the CRA. The incentive funds will be held till January 1st, 2029 at which point they will be returned to Lehi City if not utilized.

Section 8: Sales and Use Tax Revenue (17C-5-303(2))

The Agency is authorized to negotiate for sales and use taxes from the public entities that collect them, the Agency anticipates receiving 50% of any sales or use tax revenue from the Project Area. The collection period will be for 10 years or \$3,035,100 whichever comes first. The sales and use tax is 50% of what the city collects, not what the business entity generates.

Section 9: The Amount of Project Area Funds the Agency will use to Implement the Community Reinvestment Project Area Plan (17C-5-303(3))

The Agency anticipates using all tax increment received by the Agency to implement the Project Area Plan and to encourage development within the Project Area. The Agency currently anticipates using that full amount for infrastructure needed to allow for development within the Project Area and developer incentive. The anticipated infrastructure costs are shown below.

Improvements Needed to Implement the CRA Plan

| | |
|---|------------------------|
| Road, water, sewer, electric, curb, gutter and sidewalk | \$ 700,000.00 |
| Reimburse Stack for public improvements | \$ 287,028.00 |
| Acquisition of Property | \$ 840,075.00 |
| Incentive | \$ 1,000,000.00 |
| Total Fund Uses | \$ 2,827,103.00 |

Section 10: The Agency’s Combined Incremental Value (17C-5-303(4))

The combined incremental value generated by the Agency is \$4,747,957 based on the budget at a 50% participation from the Lehi City over a 10 year period. The current assessed value of the Project Area is approximately \$109,250,800. All the property is currently zoned for Regional Commercial and Resort Community and the majority is vacant land which is a lower use and tax designation. It is anticipated that upon completion of the development project the assessed value will be increased to \$380,261,637. The overall new development cost is estimated at \$325.213 million. The overall personal and real property tax generation for the project area is estimated at \$19,066,065 over the 10 years. Of the \$19M Lehi City will receive approximately \$3,425,714 of which the agency would receive 50% or \$1,712,857 over 10 years.

Total sales and use tax at 6.25% is estimated at \$75,565,005 over the 10 years. Of the 6.25%, Lehi City collects .50% or \$6,070,200. Of the \$6.070 million collected by Lehi City the Agency would receive 50% or \$3,035,100 over the 10 years. This estimation is based on four new dealerships and one used vehicle dealership being constructed and operated. Average tax generation was evaluated based on NADA national standards, assumptions from the dealership and other like products currently in the market.

The Budget assumes personal and real property is not generated all in year one, therefore the plan and budget take into account a timeline for the property value to increase. Building one will be on the tax rolls for 2019 with building two in 2020 with building three in 2020 or 2021. The other buildings will be every other year until full buildout. Sales and use tax is not all generated in year one, therefore the plan and budget take into a timeline that accounts for the sales to accrue on an annual basis. It is anticipated that by year 1 the first dealership will be generating sales and use taxes. The other dealerships come on line about every two years. Based on this assumption at year 10, the Project Area should be valued at approximately \$380.261 million in personal and real property with approximately \$11,456,195 at 6.25% in sales and use tax being generated annually.

Section 11: The Amount of Project Area Funds That will be Used to Cover the Cost of Administering the Community Reinvestment Project Area Plan 17C-5-303(5)

The Agency estimates that 100 percent of the tax increment collected by Agency will be used to repay the necessary infrastructure and incentive costs that are needed to develop the Project Area. In compliance with the Act, Utah Code 17C-5-307(2) any funds collected in excess of \$100,000 on an annual basis are subject to the 10% allocation for low to moderate income housing. Per the budget analysis it’s anticipated that the Agency will have to collect funds for the CRA housing requirement. There will be no administrative fee for administrative and operational costs of the Agency. Estimated amounts based on the budget for the mandatory housing allocation are shown below.

| Administrative Costs | |
|--------------------------------|----------------------|
| CRA Housing Requirement at 10% | \$ 468,764.74 |
| Total Costs | \$ 468,764.74 |

Section 12: Property Owned by the Agency (17C-5-303(6))

The Agency does not own and does not anticipate purchasing property within the Project Area.

EXHIBIT A – Detailed Financial Projections

| Meadow Pointe CRA | | | | | | | | | | | |
|---|--------------|----------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Community Reinvestment Area 2018 | | | | | | | | | | | |
| | Year | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
| Increment Property Tax | Payment Year | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 |
| Tax Year | | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 |
| Tax Rate | | 0.001830 | 0.001830 | 0.001830 | 0.001830 | 0.001830 | 0.001830 | 0.001830 | 0.001830 | 0.001830 | 0.001830 |
| Overall Project | | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Current Base Value | \$ | 109,250,800.00 | 109,250,800.00 | 109,250,800.00 | 109,250,800.00 | 109,250,800.00 | 109,250,800.00 | 109,250,800.00 | 109,250,800.00 | 109,250,800.00 | 109,250,800.00 |
| Total Assessed Value | \$ | 380,261,637.75 | \$161,506,199.06 | \$192,364,740.57 | \$294,616,539.63 | \$279,165,888.69 | \$282,165,888.69 | \$318,139,237.75 | \$355,739,637.75 | \$380,261,637.75 | \$380,261,637.75 |
| Minus Base Year Value | \$ | 271,010,837.75 | \$52,255,399.06 | \$83,113,940.57 | \$125,365,739.63 | \$169,915,088.69 | \$172,915,088.69 | \$208,888,437.75 | \$246,488,837.75 | \$271,010,837.75 | \$271,010,837.75 |
| Total Increment Value | \$ | 95,627.38 | \$152,098.51 | \$229,419.30 | \$310,944.61 | \$316,434.61 | \$382,265.84 | \$451,074.57 | \$495,949.83 | \$495,949.83 | \$495,949.83 |
| Sales and Use Tax | \$ | 12,500.00 | \$70,000.00 | \$200,125.00 | \$280,380.25 | \$358,266.22 | \$388,713.40 | \$405,039.36 | \$422,051.02 | \$439,777.16 | \$458,247.80 |
| Total Increment Value Generated | | \$108,127.38 | \$222,098.51 | \$329,544.30 | \$347,419.86 | \$354,681.47 | \$420,979.24 | \$496,113.93 | \$517,999.85 | \$535,726.99 | \$543,197.63 |
| Utah County | | 0.000779 | \$40,706.96 | \$64,745.76 | \$97,659.91 | \$132,366.85 | \$134,700.85 | \$162,724.09 | \$192,014.80 | \$211,117.44 | \$211,117.44 |
| Alpine School Dist | | 0.007167 | \$374,514.45 | \$595,677.61 | \$898,496.26 | \$1,217,781.44 | \$1,239,282.44 | \$1,497,103.43 | \$1,766,585.50 | \$1,942,394.67 | \$1,942,394.67 |
| Lehi City | | 0.001833 | \$95,627.38 | \$152,098.51 | \$229,419.30 | \$310,944.61 | \$316,434.61 | \$382,265.84 | \$451,074.57 | \$495,949.83 | \$495,949.83 |
| Water Conservancy Dist | | 0.000409 | \$21,372.46 | \$33,993.60 | \$51,274.59 | \$69,495.27 | \$70,722.27 | \$85,455.37 | \$100,813.93 | \$110,843.43 | \$110,843.43 |
| Total Taxes | | 0.010185 | \$532,221.24 | \$846,515.48 | \$1,276,850.06 | \$1,730,586.18 | \$1,761,140.18 | \$2,127,528.74 | \$2,510,488.81 | \$2,760,245.38 | \$2,760,245.38 |
| Property Tax Participation Rate by Taxing Entity | | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 |
| Utah County | | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| Alpine School Dist | | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| Lehi City | | 50.00% | 50.00% | 50.00% | 50.00% | 50.00% | 50.00% | 50.00% | 50.00% | 50.00% | 50.00% |
| Water Conservancy Dist | | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| Property Tax Increment for Budget | | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Utah County | | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Alpine School Dist | | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Lehi City | | \$47,813.69 | \$76,049.26 | \$114,709.65 | \$155,472.31 | \$158,217.31 | \$191,132.92 | \$225,537.29 | \$247,974.92 | \$247,974.92 | \$247,974.92 |
| Water Conservancy Dist | | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Total Increment Taxes for the Budget | | \$47,813.69 | \$76,049.26 | \$114,709.65 | \$155,472.31 | \$158,217.31 | \$191,132.92 | \$225,537.29 | \$247,974.92 | \$247,974.92 | \$247,974.92 |
| Sales and Use Tax | | \$12,500.00 | \$70,000.00 | \$200,125.00 | \$280,380.25 | \$358,266.22 | \$388,713.40 | \$405,039.36 | \$422,051.02 | \$439,777.16 | \$458,247.80 |
| Total Property and Sales Tax for Budget | | \$60,313.69 | \$146,049.26 | \$214,834.65 | \$283,852.56 | \$293,483.53 | \$359,846.32 | \$430,576.65 | \$469,025.99 | \$487,752.08 | \$506,222.72 |

