DEVELOPMENT BENEFIT AND FEASIBILITY ANALYSIS

ROCKWELL RIDGE BUSINESS PARK

BLUFFDALE REDEVELOPMENT AGENCY

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SECTION 1: INTRODUCTION

The Bluffdale Redevelopment Agency (the "Agency") was approached by Simple Products Corp (the "Developer") about providing public assistance with their new development, Rockwell Ridge Business Park (the "Development") within Bluffdale City (the "City"). The Development is believed to be of economic and fiscal benefit to the City and other taxing entities. The Developer has asked the Agency to provide **$1.2 million** in public assistance to help facilitate costs associated with the development of the property. Before the Agency can offer any fiscal support to the Development, an economic analysis needs to be conducted to examine the economic impact the Development will bring both in terms of financial benefit to the Agency and City as well as the associated costs to provide services to the Development.

This report includes: 1) a summary of the Development, 2) the fiscal benefits of the Development, 3) the associated Development costs, 4) a cost/benefit analysis, 5) public benefits analysis, and 6) conclusions and recommendations, for tax increment participation.

SECTION 2: ROCKWELL RIDGE BUSINESS PARK DEVELOPMENT

The Development is to be constructed on 14 acres of property within the Agency's Eastern Bluffdale Economic Development Area (the "EDA"). The Agency has been collecting tax increment in the EDA since 2008 and will continue to collect increment through fiscal year (FY) 2023. The Developer is currently planning on constructing 8 buildings, on this property. Construction of the buildings will be based on market conditions, which we have assumed to be a 4 year absorption rate. The Development is envisioned to be commercial with office, retail, and flex space land uses. Table 2.1 illustrates the Development assumptions.

TABLE 2.1: DEVELOPMENT ASSUMPTIONS

Development Type	Square Feet	$/Sq. Ft.	Completion Date[1]	Total Assessed Value[2]
Building #1 (Flex Space)	42,736	$70.00	2019	$3,418,144
Building #2 (Flex Space)	32,894	$70.00	2019	$2,623,755
Building #3 (Restaurant)	4,800	$221.00	2020	$1,219,553
Building #4 (Restaurant)	4,800	$221.00	2020	$1,219,553
Building #5 (Mixed Commercial)	6,757	$221.00	2021	$1,716,775
Building #6 (Restaurant)	3,000	$221.00	2021	$762,221
Building #7 (Restaurant)	4,124	$221.00	2022	$1,052,373
Building #8 (Restaurant)	4,480	$221.00	2022	$1,138250
Total Sources of Tax Increment Funds	**103,501**			**$13,150,624**

[1] The Agency will receive tax increment on the building the tax year following the year of completion.
[2] Includes incremental land, building & personal property values.

SECTION 3: DEVELOPMENT REVENUES

The Development will produce property, sales, & franchise tax for the City. Based on the remaining life of the EDA, a 5-year analysis period was used to determine the tax revenues that will be generated by the Development. It is projected that the Development could produce **$713,722** in total tax revenues during the 5-year analysis period. The actual revenues that will be produced by the Development are heavily dependent on the construction timing of the various buildings. If the Developer can complete construction quicker than anticipated in this analysis, the revenues could increase significantly. The following is a breakout of the revenue sources to be produced by the development.

TABLE 3.1: DEVELOPMENT REVENUES

Revenue	Analysis Years	Total
Property Tax (All Taxing Entities)	2019-2023	$479,519
Sales Tax (City Only)	2019-2023	$170,637
Franchise Tax (City Only)	2019-2023	$63,616
Total Revenues		**$713,772**

PROPERTY TAX

The Development will produce approximately **$479,519** in property tax during the 5-year analysis period. The Agency currently receives 100% of the property tax generated in the EDA. Currently, 20% of the tax increment collected in the EDA goes towards the mandatory EDA housing requirement, 10% go towards administrating the EDA and the remaining 70% of the tax increment is used to offset development costs within the EDA.

TABLE 3.2: PROPERTY TAX REVENUES

Assumptions	Total
Development Assessed Value[3]	$13,150,624
Certified Tax Rate	0.012412
Average Annual Tax Increment	$119,880
EDA Administration Portion (10%) – 5 year total	**$47,952**
Housing Portion (20%) – 5 year total	**$95,904**
Remaining Portion (70%)- 5 year total	**$335,664**
Total Property Tax (5-Years)	**$479,519**

SALES TAX

The Development will produce sales tax revenue from the projected 6 new restaurants that will be built. This analysis assumes that the Developer will build two restaurants annually beginning in tax year (TY) 2019 with the final two restaurants being finished during the final year of the analysis. Using an average sales volume per square foot of $440.00[4], the Development will produce **$170,637** of sales tax revenue for the City, based on the .50 Point of Sale, during the 5-year analysis period. The sales tax revenues of the Development may be larger, if the Developer is able to finish construction on the restaurants sooner than projected in our assumption.

TABLE 3.3: SALES TAX REVENUES

Assumptions	Total
Restaurant Square Feet- total development	24,583
Restaurant Sales/Sq. Ft.	$440,00
City Effective Sales Tax Rate	0.5%
Average Annual Sales Tax	$42,659
Total Sales Tax Revenue	$170,637

FRANCHISE TAX

[3] This represents the total assessed value of the Development. This analysis assumes the Agency will only receive one year of tax increment from the total assessed value of $13,150,624.

[4] This is the average sales volume per square foot of over 25 comparable restaurants in the County.

The City will also receive franchise taxes, including: 1) municipal energy tax on natural gas and electricity and 2) municipal telecommunications license tax. In total, the City is projected to receive $63,616 in franchise tax revenues during the 5-year analysis period.

TABLE 3.4: FRANCHISE TAX REVENUES

Assumptions	Total
Natural Gas Tax Revenue	$7,412
Electricity Tax Revenue	$39,604
Telecommunication License Tax Revenue	$16,600
Total Franchise Revenue	$63,616

SECTION 4: DEVELOPMENT EXPENDITURES

Development expenditures for the City include the participation of tax increment for the EDA budget adopted by the Agency for the project area, and additional general government, public works and public safety costs for supporting the Development. In total, the projected expenditures for the Development equal **$192,927** during the 5-year analysis period, or **$38,585.40** per year.

TABLE 4.1: DEVELOPMENT REVENUES

Revenue	Analysis Years	Total
EDA Budget (City Property Tax)	2019-2023	$67,647
City General Government	2019-2023	$26,285
City Public Works	2019-2023	$31,870
City Public Safety	2019-2023	$67,125
Total Expenditures		**$192,927**

EDA BUDGET

As discussed above, the Agency currently receives 100% of the property tax increment generated within the EDA. For this analysis, the City's portion of tax increment is considered an expenditure since it is given to the Agency for the EDA budget. The estimated City portion of tax increment is **$67,647**, during the remaining 5 years of the EDA Project Area, or **$16,912** per year.

TABLE 4.2: EDA BUDGET

Assumptions	Total
Development Assessed Value	$13,150,624
City's Certified Tax Rate	0.001751
Average Annual City Tax Increment	$16,912
Total City EDA Budget (5-Years)	**$67,647**

OTHER CITY EXPENDITURES

The Development will also result in additional general government, public works & public safety costs ("City Expenditures"), as the City will have to provide services to the Development. These expenses are calculated by taking the 2017 governmental activity amount for each City Expenditure, as outlined in the City's CAFR and dividing each expense by the 2017 City assessed value ($688,116,432). This calculation produces a cost per every $1 of assessed value figure, which is then multiplied by the projected assessed value of the Development. It is anticipated that the City Expenditures will be **$125,280** during the 5-year analysis period, or **$25,056** annually.

General Government Expenditure

TABLE 4.3: GENERAL GOVERNMENT EXPENDITURES

Assumptions	Total
2017 Bluffdale Assessed Value	$688,116,432
2017 General Government Expense	$1,607,286
2017 General Government Cost $ per Assessed Value	$0.00234
Development Assessed Value	$13,150,624
Fixed vs. Variable Ratio	30%
Total General Government Expenditures (5-Years)	$26,285

Public Works Expenditure

TABLE 4.4: PUBLIC WORKS EXPENDITURES

Assumptions	Total
2017 Bluffdale Assessed Value	$688,116,432
2017 Public Works Expense	$1,948,815
2017 Public Works Cost $ per Assessed Value	$0.00283
Development Assessed Value	$13,150,624
Fixed vs. Variable Ratio	30%
Total Public Works Expenditures (5-Years)	$31,870

Public Safety Expenditure

TABLE 4.5: PUBLIC SAFETY EXPENDITURES

Assumptions	Total
2017 Bluffdale Assessed Value	$688,116,432
2017 Public Safety Expense	$4,104,647
2017 Public Safety Cost $ per Assessed Value	$0.00597
Development Assessed Value	$13,150,624
Fixed vs. Variable Ratio	30%
Total Public Safety Expenditures (5-Years)	$67,125

Total City Expenditures

TABLE 4.6: TOTAL CITY EXPENDITURES

Assumptions	Total
General Government	$26,285
Public Works	$31,870
Public Safety	$67,125
Total City Expenditures (5-Years)	$125,280

SECTION 5: COST/BENEFIT ANALYSIS

The Development will create an economic benefit for the City. The total net benefit of the Development is projected to be **$520,845**, over the 5 years remaining in the project area. The benefit is heavily dependent on the actual absorption of the Development. The biggest constraint to the benefit of the Development is the limited remaining time of the EDA. If the Developer can construct all aspects of the Development sooner the benefit will increase, as the City will receive a larger portion of the tax revenues for a larger portion of the remaining 5 years of the EDA. The following demonstrates the projected net benefit to the City.

TABLE 5.1: DEVELOPMENT REVENUES

Revenue	Total
Property Tax Increment (all Taxing Entities)	$479,519
City Sales Tax	$170,637
City Telecom Tax	$16,600
City Energy Tax (Electric)	$39,604
City Energy Tax (Natural Gas)	$7,413
Total Development Revenues	**$713,772**

TABLE 5.2: DEVELOPMENT EXPENDITURES

Expenditures	Total
EDA Budget (City)	$67,647
City General Government	$26,285
City Public Works	$31,870
City Public Safety	$67,125
Total Development Expenditures	**$192,927**

Total Net Development Benefit/(Cost)	**$520,845**

SECTION 6: PUBLIC BENEFITS ANALYSIS

Section 17C-3-103 of the Utah Code requires a public benefits analysis be conducted for any financial assistance provided by the agency for project area development. The analysis should include: 1) an evaluation of the reasonableness of the costs of project area development, 2) efforts the agency has made or will make to maximize private investment, 3) the rationale for use of tax increment ("but-for analysis"), 4) an estimate of the total tax increment that will be expended and the length of time it will be expended, 5) the beneficial influences upon the tax base of the community, 6) the associated business and economic activity likely to be stimulated, and 7) the number of jobs or employment created or preserved.

Project Area Costs

The analysis includes a summary of the projected assessed values of the Development. The Developer has not provided estimated infrastructure and construction costs for the Development. This analysis may be updated to include an evaluation on these costs once the Developer provides the information to the Agency.

Maximize Private Investment

Any public participation incentive offered to the Developer will be post performance based. This ensures that the Developer only receives public funds after the private investment has been expended.

"But-For Analysis"

This area has remained vacant during the first 10 years of the EDA. "But-for" the use of tax increment, this 14-acre parcel will likely remain vacant and continue to produce little benefit for the community. Future development may lack the density of the Simple Products Development, which will also reduce the economic benefit to the community.

Tax Increment Estimates

The tax increment assumptions, including total tax increment to be generated by the development and the length of time it will be expended is outlined in Section 3: Development Revenues.

Benefits to Tax Base

The Development will increase property, sales and franchise taxes within the community. The actual beneficial influences upon the tax base of the community are discussed in greater detail in Sections 3: Development Revenues and Section 5: Cost Benefit Analysis.

Economic Activity

There is vacant land near the Development. It is possible that the Development may stimulate other economic activity on the surrounding vacant parcels. The area around the Development is mainly warehouse and flex space. The success of the restaurants may prompt other restaurants to locate near the Development.

Jobs & Employment

The Developer currently anticipates that the Development will create between 200-250 new jobs for the City. These jobs will likely range from hourly restaurant employees to executive positions. This analysis does not include a discussion on the average wages within the Development due to a lack of information on the actual businesses that will be located within the Development.

SECTION 7: CONCLUSIONS AND RECOMMENDATIONS

The proposed Development will create an economic benefit for the City. The total net benefit of the Development is projected to be **$520,845**. This net benefit includes **$479,519** of total new property tax increment to be generated from this development, for the remaining 5 years of the Project Area. After deducting the mandatory housing requirement and EDA Administration, the Agency will have **$335,664** of new property tax increment to assist the Developer. The remaining **$41,326** of the net benefit is coming from sales tax or franchise tax. Since the Tax increment is normally the source of revenue available for an incentive, there is insufficient tax increment to meet the requested 1.2 million dollar request by the Developer. If the Agency were to enter into a interlocal agreement to pass the anticipated sales tax to the Agency to be used as an incentive, there still is not sufficient revenues to reach the $1.2 million public participation request. Significant factors that impact this request include the limited time remaining to collect the tax increment from the project area, the absorption rate projected for the Development, and the estimated assessed value projected due to the type of development being proposed.

If the Agency elects to participate in an incentive for the Development, the following is recommended:

- Reach out to the Developer to discuss the limited time remaining in the EDA and the likelihood that the amount of public participation is dependent on the completion of the entire Development. We have projected a 5 year build out; perhaps this absorption could happen quicker, than anticipated in this analysis. This could generate more net income.

- Draft a development agreement that is contingent on the performance of the Developer. The City and Agency should include safeguards in the agreement that will not make them liable to repay the Developer from any other funds outside of the incremental taxes produced by the Development. Incentive for this Development should be programmed from the revenue created by the Development.

- More information should be obtained on the material and type of buildings to be constructed. For this analysis we used flex-type buildings, and fast food restaurant construction values, since the size of the proposed restaurants meet a fast food model. We had no information on the personal property, or other tenants for the second office building. Our assumptions were based on the fact that buildings would be constructed upon demand and leases, and no building was being spec out, other that the building for the company/owner. This information could increase the anticipated assessed value of the project, and create more anticipated tax increment for participation.

- Consider a request to the other taxing entities to extend the life of the project area, which would allow for a longer collection of the increment for this project.