

TAX INCREMENT

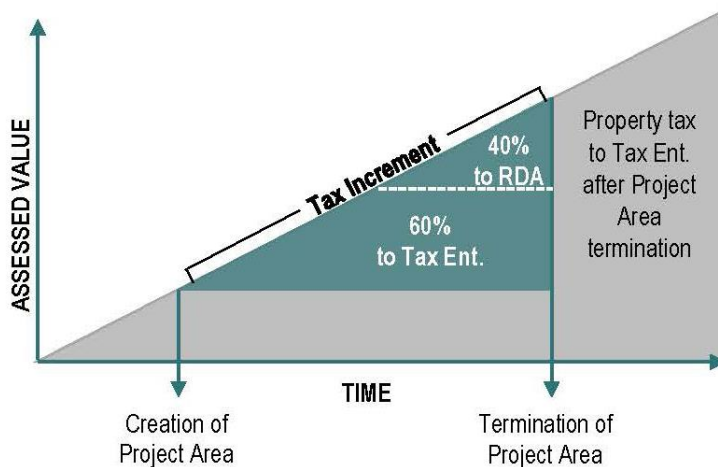
Vivint Smart Home Arena



SLCRDA

How Tax Increment Works

Tax increment is generated by the increase in assessed property values beyond the baseline value that was in place at the time that a project area is established. Property value increases as an area is revitalized through investment, creating tax increment for the project area.



When an RDA project area is established, the RDA and the other taxing entities enter an agreement that determines the amount of tax increment that will continue to flow to the taxing entities, and the portion that will be received by the RDA for a defined period of time. Taxing entities continually receive the baseline property tax during the life of a project area.

In the Central Business District, the taxing entities continue to receive the same tax revenues as they did when the project area started, plus 60% of the tax increment. The RDA receives the other 40% of tax increment through tax year 2040. Thereafter, 100% of the increment will flow to the taxing entities.

Once the project area expires, the taxing entities will receive the full benefit from the increase in property taxes over and above the original baseline tax. Taxing entities include: Salt Lake City Schools, Salt Lake City, Salt Lake County, Salt Lake City Libraries, Salt Lake Mosquito Abatement District, Salt Lake City Metro Water, and Central Utah Water Project.

RDA Tax Increment Reimbursement Program

The Redevelopment Agency of Salt Lake City (RDA) has long offered its Tax Increment Reimbursement Program to commercial property owners and developers to encourage development in RDA project areas that meet strategic plan objectives.

If approved to participate in this program, applicants are eligible for a tax increment reimbursement only after fully funding the capital costs to improve the property, effectively making the reimbursement a pay-for-performance program.

The amount that is actually reimbursed is the result of the tax increment created through the increase in assessed property value from the new investment, and the percentage of tax increment split between the RDA and the property owner or developer.

Vivint Smart Home Arena Tax Increment Reimbursement Agreement

The Vivint Smart Home Arena is a significant generator of economic activity and investment in the RDA's Central Business District Project Area. The planned \$125 million renovation project meets all the criteria for the RDA's Tax Increment Program and marks the RDA's seventh current tax increment reimbursement agreement.

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Since the Central Business District was established as an RDA project area in 1986, the baseline property tax **and** 60% of the tax increment has returned to the taxing entities, while the RDA has received 40% of **only** the tax increment.

Starting upon the completion of its renovation project in 2019, Vivint Smart Home Arena will be reimbursed 100% of the RDA's 40% share of tax increment allotment specific to this project. This means that, in order to receive the tax increment reimbursement, the Vivint Arena owners must make improvements to the property that increase its value beyond its current level, and that 40% of the property tax bill they pay that is associated with this increase in value will be reimbursed to them.

The entire remaining 60% of the tax increment will flow to the taxing entities. In addition, the RDA will be providing approximately \$300,000 per year to the arena project, in recognition that the investment being made in the renovation of the facility, and the positive economic impact it has on the surrounding community, will lead to increased investment in the Central Business District that will generate additional tax increment for the taxing entities and the RDA. The total incentive, including the tax increment reimbursement and the additional funding from the Central Business District will not exceed \$22.7 million, and is contingent upon the property increasing in assessed value.