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# The Marriage of CDAs and SAAs

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# URAs, EDAs and CDAs Work Well with SAAs

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## Urban Renewal Area (URA)

- Elimination of blight
- Limited powers of eminent domain

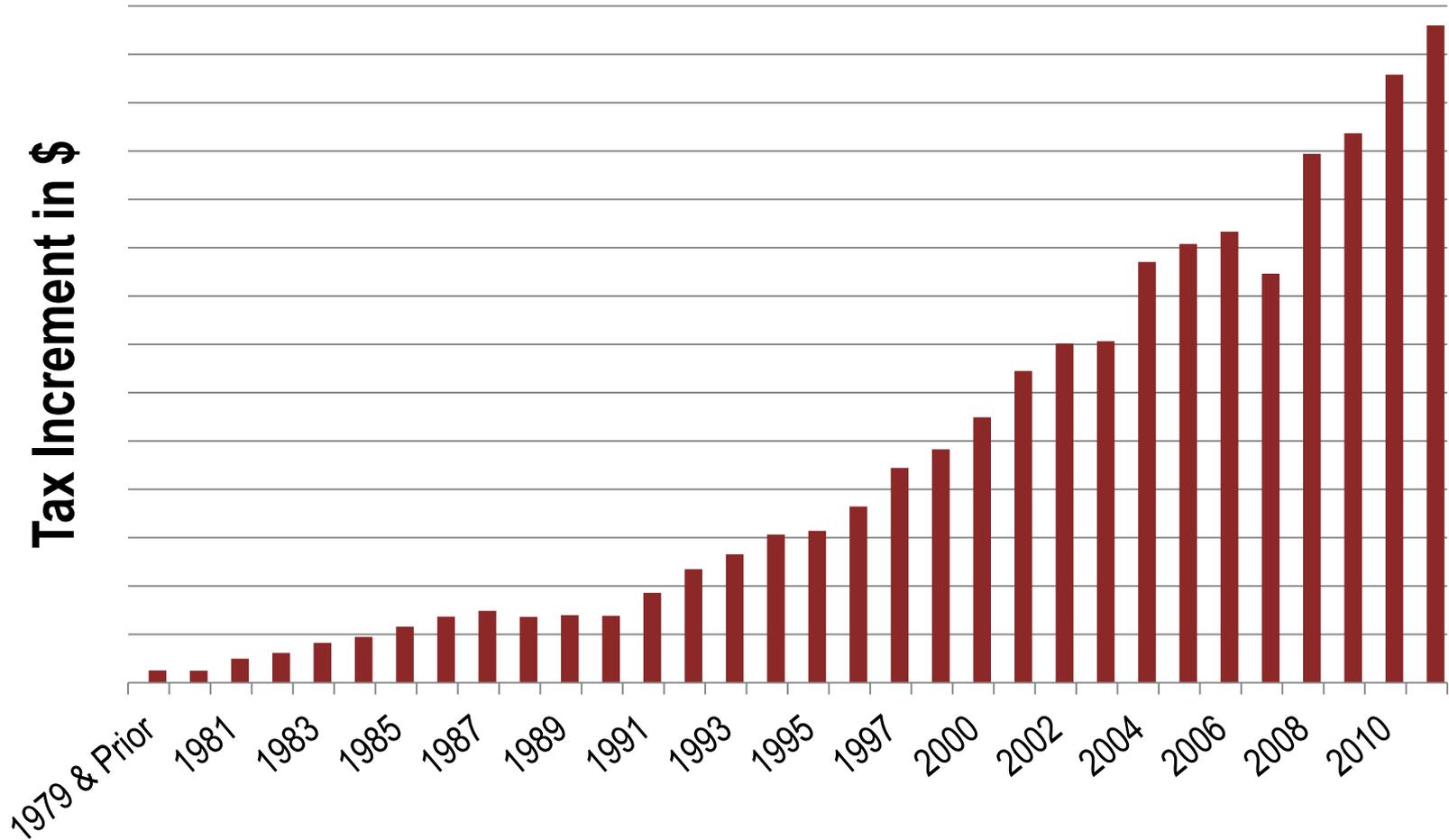
## Economic Development Area (EDA)

- Job creation

## Community Development Area (CDA)

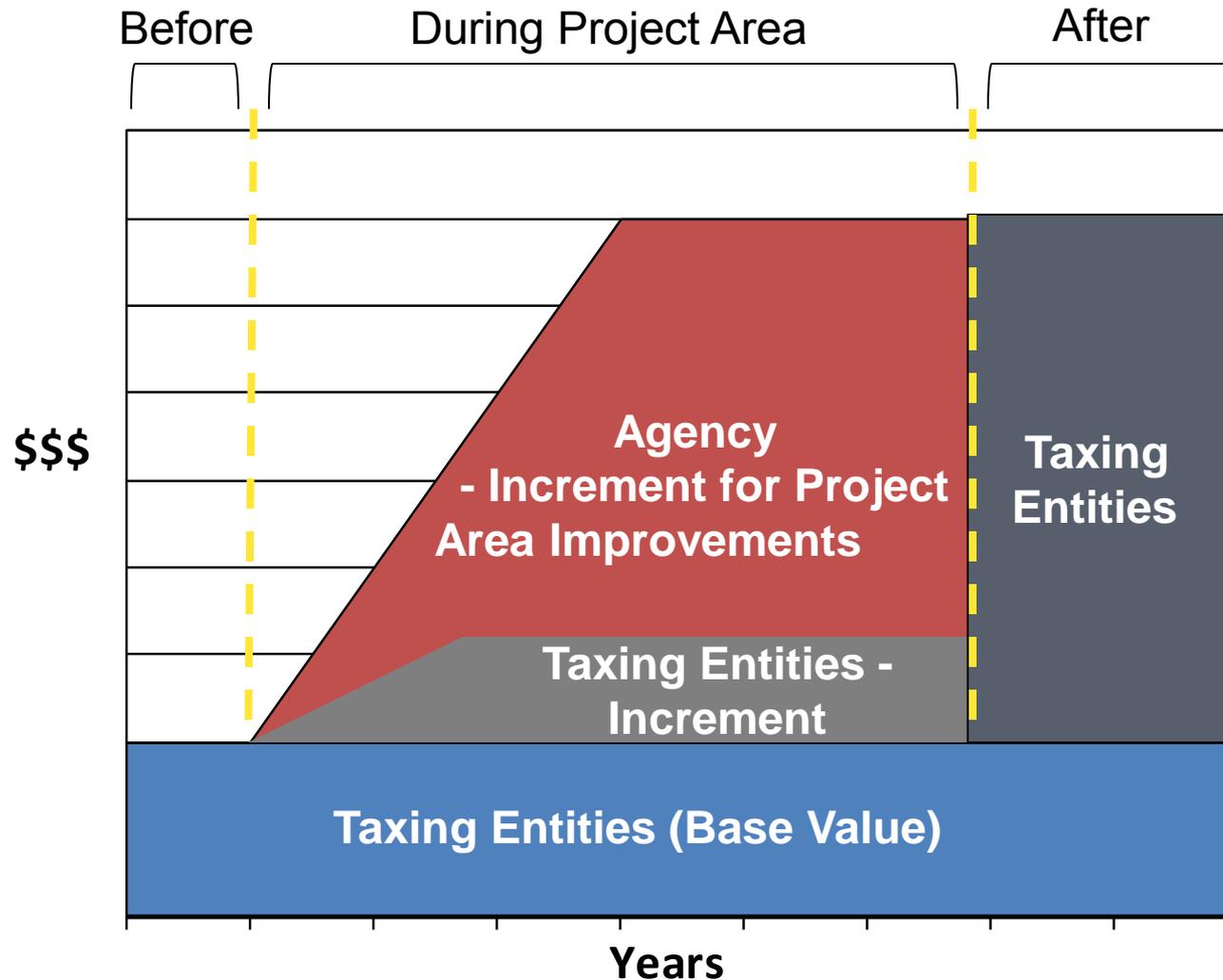
- Wide variety of community projects

# Growth in Tax Increment



Source: History of Tax Increment Funds Taken by Redevelopment Agencies, Tax Years 1979 through 2011, Utah State Office of Education

# Tax Increment Revenue – How It Works



# Facts About Tax Increment

## TERM:

Average: 15 years

Maximum: 69  
years

Minimum: 5 years

## AMOUNT PER PROJECT AREA:

Average: \$28  
Million

Maximum: \$1.16  
Billion

Minimum:  
\$106,416

Source: *Redevelopment and Economic Development, Utah State Office of Education, April 2011*

# Use of Tax Increment

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- Investment in project
  - Infrastructure improvements
  - Land write-downs
  - Environmental remediation
  - Elimination of blight
  - Demolition of structures
  - Job creation
  - Repayment of loans and grants
  - Planning and design
  - Economic incentives
- Investment in affordable housing
- Administrative expenses

# Use of Tax Increment

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Gateway Before



Gateway After

# Issue #1: Timing of Tax Increment Revenues

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## Development Infrastructure Costs

- Summer 2012

## Vertical Construction

- Begins Spring 2013

## Incremental Tax Value

- On tax rolls as of January 2014
- Revenues received late 2014 – early 2015

## Issue #2: Funding Gap

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### Revenue History and Rates

- Need 3 years of history for the project to be ratable
- No history means increased risk to investors
- Investors may not be willing to buy, or only willing at higher interest rates

# Dealing with Timing and Funding Gap Issues. . .

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## Special Assessment Area (SAA)

- Can borrow against the land today
- Potentially lower rates than TIF bonds
  - Strengthens the security
  - Land v. projected tax increment
- Can still use TIF to make SAA payments

# Special Assessment Areas (SAAs)

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## Purpose

- Area created, historically, to pay for infrastructure costs in a developed area
  - Curb, gutter, sidewalk
  - Water, sewer, roads, storm water
- Currently, see more SAA use for infrastructure for new development

# SAA Creation Process

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## Considerations

- No voter approval required
- If > 50% protest, then cannot create
- Most City Councils will not create with high levels of protest

# Assessments on the SAA Properties

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## Annual Assessments

Assess only benefitted properties

Assessment basis: acre, lot, front footage, taxable value

# SAA Bond Payments

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## Security

On parity with property tax liens;  
Assessment takes priority over all other  
mortgages and liens

Real property can be foreclosed like a  
mortgage

# SAA Bonds

## Financing Considerations

- Property value must be at least 3x greater than the assessment (bulk sale)
- In developing areas, developer wherewithal and history are important considerations
- Market conditions

# SAA Debt

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## Structure

- Level debt service or level principal
- Term cannot exceed 20 years
- Up to 3 years of capitalized interest
  - Allows time for tax increment to start flowing

## Benefits to the City

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- Less risk than a TIF bond if increment falls short
- Those benefitting from the improvements pay for them, rather than adding more “system” debt
- City owns the completed facilities

# Disadvantages to an SAA

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- Cannot assess certain government property within the SAA
- Increased administrative burden
  - But, costs can be included in assessments
- With multiple property owners, may be difficult to get agreement

# SAA Lessons Learned

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- Make sure property value is at least **4x** the amount of the assessment.
- Follow the procedures in the Utah Code to the letter.
- Include provision to turn property over to bondholder in full satisfaction of the debt if nobody bids at foreclosure sale.
- Make sure there is a market for the bonds.
- Disclosure of risks to the bond purchaser.

# SAA Examples

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- City of Saratoga Springs
- Hurricane City
- Homedale
- Timberlakes Water SSD
- Twin Creeks SSD
- Sanpete County
- Kane County
- Springville City
- North Village SSD
- City of Woodland Hills
- Farmington City
- Washington County
- Vernal City
- Brigham City
- Salt Lake City
- Jordanelle SSD