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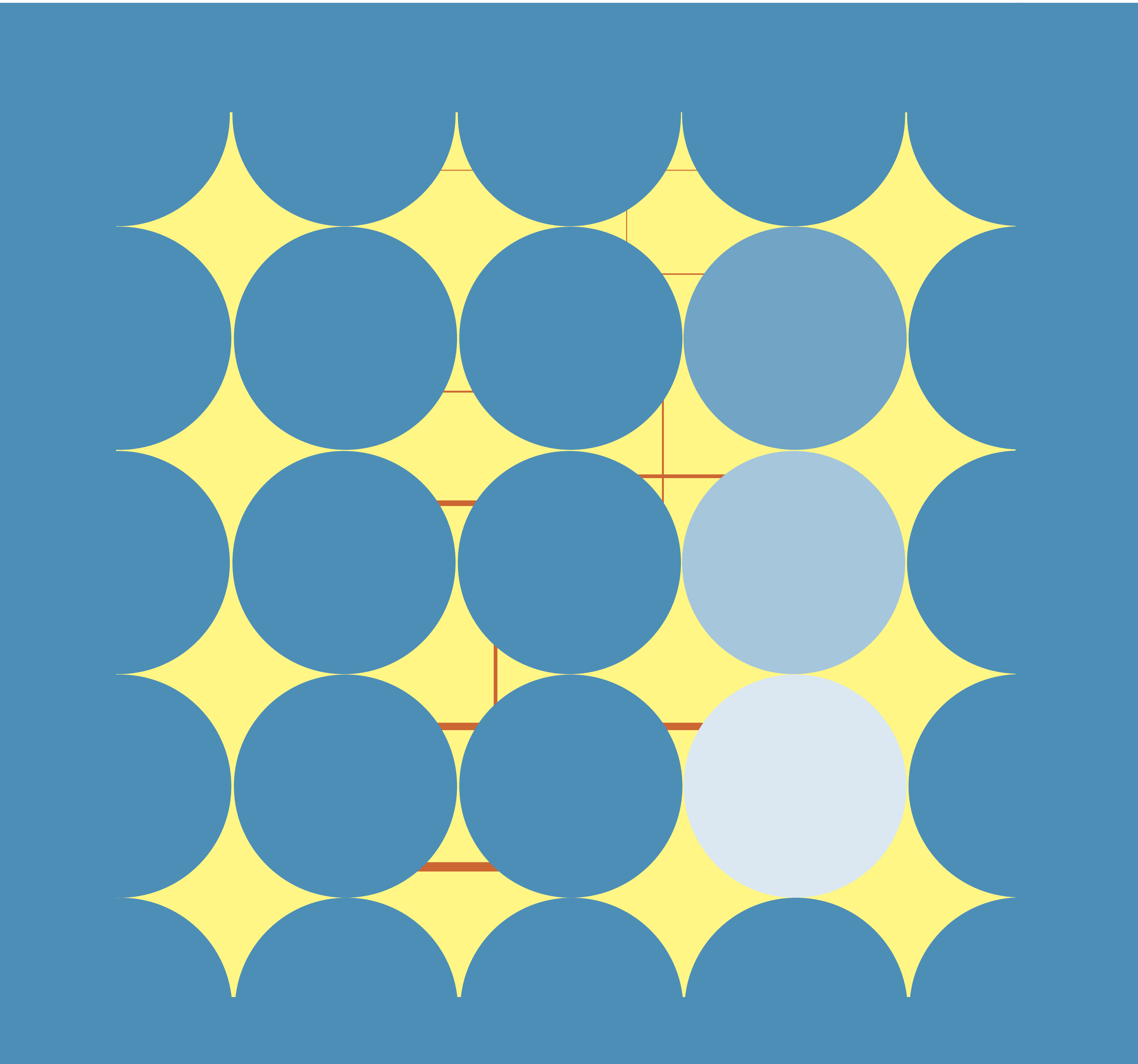
ECONOMIC DEVELOPMENT
INCENTIVES SERIES
PART III - DECEMBER 2020

INSIGHTS ON INCENTIVES

Optimizing Local Approaches to Tax Incentives in Utah



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Research Report 782

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Utah Foundation's mission is to produce objective, thorough and well-reasoned research and analysis that promotes the effective use of public resources, a thriving economy, a well-prepared workforce and a high quality of life for Utahns. Utah Foundation seeks to help decision-makers and citizens understand and address complex issues. Utah Foundation also offers constructive guidance to improve governmental policies, programs and structures.

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EXECUTIVE SUMMARY

Utah Foundation's series on state and local incentives addresses the risks that can come with providing public financial benefits to select private parties. The series explores ways to minimize those risks. This third report of the series focuses on local incentives.

This report relies on a survey that compares Utah's cities and counties with their national counterparts. Utah Foundation supplemented the survey results with dozens of interviews with local governments.

Cities and counties in Utah primarily rely upon general fund revenues and a mechanism known as tax increment financing (TIF) to pay for their economic development programs. Utah's local economic development officials are nearly twice as likely as their peers nationally to use TIF. This is because TIF is the primary tool local governments have to fund incentives. TIF can be based on either property tax or sales tax revenues. However, using property tax revenues is much more common.

This report examines local incentives practices through an analytical framework that asks whether they are being used in a manner that is strategic, coordinated, effective, efficient and transparent. Finally, the report analyzes local interpretations of national accounting standards to determine whether those standards are being followed.

Creating a Strategic Approach

Making sure incentives are strategic requires determining which problems the incentives are meant to address and why those problems matter. Without a clear, specific strategy, an incentive program's utility and credibility among the public may be undermined.

Nearly three-quarters of local economic development officials in Utah report that their local governments have produced written economic development plans. This represents a larger share of local governments compared to the nation at large.

An overwhelming majority of local economic development officials both in Utah and nationally report goals to promote jobs, increase the tax base and enhance

KEY FINDINGS OF THIS REPORT

- Utah governments are twice as likely to use tax increment financing to fund economic development compared to their national peers.
- Utah's local economic development officials report fewer barriers to economic development in their community compared to officials nationally.
- Local economic development officials in Utah are more likely to have a written economic development plan compared to officials nationally.
- Local economic development officials in Utah are less likely to measure the success of their incentive programs than officials nationally. However, they are far more likely to require performance agreements of incentive beneficiaries.
- Local economic development officials in Utah report lower levels of competition than officials nationally for jobs and tax base among local governments in the region. Interestingly, however, they also report lower levels of intergovernmental cooperation.
- Local economic development officials in Utah take a variety of analytical approaches – with significant variation in rigor – when evaluating whether an incentive investment is worthwhile.
- Various local governments in Utah appear to be misunderstanding national accounting standards regarding the reporting of incentives, resulting in reduced levels of transparency.

quality of life. Some have also begun to include “environmental sustainability” and “social equity” as priorities. These priorities are primarily driven by economic factors and changes in leadership.

Coordinating Economic Development

Local governments may both coordinate with other local governments with overlapping districts and compete against other local governments. When compared to cities and counties nationally, Utah cities and counties reported lower levels of competition, but also lower levels of cooperation for economic development and tax base among local governments in their region.

While governments that share overlapping districts often work together to create projects that benefit all parties, problems can emerge when different governments benefit in different ways or have different goals. Even so, local and state governments recognize that by working together they can create larger benefits for their residents, and they strive in varying degrees to do so.

Ensuring an Effective Approach

Ultimately, a strategy guiding the use of economic development incentives is only as good as its execution. And the effectiveness of execution depends upon monitoring regularly updated information for progress toward goals and longer-term outcomes.

Most local economic development officials in Utah and nationwide report that they are very successful or somewhat successful in reaching their goals concerning jobs, tax base and quality of life. While two-thirds of Utah’s cities and counties track their effectiveness, one-third are not systematically tracking whether their incentives are working. Cities and counties in Utah that do measure their effectiveness tend to focus on jobs created, tax base generated or a cost/benefit analysis.

Nearly all Utah cities and counties require performance agreements to be met before awarding funds, and half have clawback agreements that allow governments to recoup funds if the awardee should somehow break its agreement.

Promoting Efficiency

To make sure local governments get the most for each dollar of incentives spent, they can use but-for tests, financial gap tests and cost/benefit analyses. Nearly all cities and counties report using but-for tests, but the rigor of such tests vary across local governments. Over 80% of cities and counties also report conducting cost/benefit analyses prior to offering incentives, but the rigor of such analyses may vary based on staff capacity, desire for transparency or the scope of the project.

Providing Transparency

Collecting and making key information readily available to citizens and policymakers is critical to ensuring oversight of and public confidence in such investments. There are currently two primary requirements for providing transparency around incentives. One is from the relevant redevelopment authority (RDA); the other is from local governments.

The transparency required from RDAs is outlined in Utah state statute, and RDAs largely make good-faith efforts to comply with requirements. However, Utah Foundation found that the accessibility and quality of information varies. Some of the problems regarding accessibility will be overcome through the creation of a public statewide database categorizing TIF projects. However, no such effort of standardization or accessibility exists regarding RDA’s budget documents or participation agreements.

Local governments are required to report on revenues foregone for incentives in their annual budget documents. Reporting rules are set forth in Government Accounting Standards Board (GASB) Statement 77. It is not clear how many local governments in Utah are paying out financial incentives and consequently should be reporting such payouts in their Comprehensive Annual Financial Reports (CAFRs). However, between Utah Foundation's survey, interviews with local officials and review of CAFRs for cities, counties and school districts, there is strong evidence that financial reporting based on GASB 77 is not widely followed.

Conclusion

For this report, Utah Foundation surveyed local economic development officials on their use of economic development incentives, with a specific focus on TIF incentives. We compared the results of the survey to the national picture. We conducted an in-depth review of CAFRs to determine local compliance with national accounting standards on incentives. We also analyzed whether local economic development officials were providing incentives in a manner that is strategic, coordinated, effective, efficient and transparent.

As this report has revealed, the results are a mixed bag.

In some respects, our local economic development officials are outperforming the nation at large in their stewardship of incentives. For instance, local economic development officials in Utah report that their local governments are more likely to have a written economic development plan than officials nationally.

In other areas, Utah's local governments appear to be falling short. Utah Foundation's analysis of the financial statements of Utah's counties, school districts and 140 of the largest cities found evidence of limited compliance with reporting standards for incentives set by the national Governmental Accounting Standards Board.

This report highlighted the fact that Utah cities and counties are much more likely than their counterparts nationally to rely on TIF to fund their economic development goals. Interestingly, while local economic development officials in Utah are far more likely to require performance agreements of incentive beneficiaries, they are less likely to measure the success of their incentive programs than officials nationally. Revenue-based performance agreements alone will have limited value in measuring success if local governments have goals beyond expanding the tax base. Finally, local economic development officials in Utah report lower levels of competition than officials nationally for economic development and tax base among local governments in their region. Interestingly, however, they also report lower levels of intergovernmental cooperation.

There are also important differences among local economic development officials within Utah. For instance, local economic development officials in Utah take a variety of analytical approaches – with significant variation in rigor – when evaluating whether an incentive investment is worthwhile.

Our findings raise interesting questions about strategy. Local economic development plans highlight the importance of job creation – as, indeed, virtually any economic development plan would. However, local economic development officials in Utah rarely require that jobs be filled by members of the community as a condition for providing an incentive. Local governments nationally rarely require it either.

The purpose of this report is neither to celebrate nor chastise local economic development officials for their approaches to economic development incentives. Rather, it is to provide critical context for policymakers to identify potential strengths and weaknesses – and highlight practices that may help them use incentives in a manner that is more strategic, coordinated, effective, efficient and transparent.

INTRODUCTION

Economic development incentives can inspire fierce debate. At their best, they represent a tool to help a government chart its economic destiny and improve quality of life. At their worst, they can result in political favoritism and an inappropriate transfer of public funds.

Utah Foundation's series on state and local incentives strives to highlight practices that can help local governments avoid the risks that come with providing public financial benefits to select private parties. To be clear, this report is not an indictment of local incentives. It does not take issue with the premise that, when used properly, local incentives can help local governments build the communities their residents desire.

This third report of the series focuses on local incentives. It relies on a survey that compares Utah's cities and counties with their national counterparts. Utah Foundation also supplemented the survey results with dozens of interviews with local governments. This report examines local practices through an analytical framework that asks whether incentives are being used in a manner that is strategic, coordinated, effective, efficient and transparent. Finally, the report analyzes local interpretations of national accounting standards to determine whether those standards are being followed.

Utah has in many ways led the nation in economic growth in recent years. While supporters claim that incentives have helped create this economic growth, determining whether that is the case goes beyond the scope of this report.

There is a wide array of ways local governments can incentivize businesses. This report, however, focuses on incentives that take the form of public payments to private individuals or entities for reasons other than reimbursement for publicly owned infrastructure. Unless otherwise explicitly stated, when this report refers to incentives, it is referring to monetary awards.

Because tax increment financing (TIF) is the most likely tool for funding local incentives, the first section of this report provides a strong background on TIF in Utah. Subsequent sections highlight best practices in terms of strategy, coordination, efficacy, efficiency and transparency.

This report also contains a handful of case studies that have drawn public interest and arose in discussions during Utah Foundation's interviews with local economic development officials and other observers.

As an appendix, this report includes three memos to Utah's Office of the State Auditor analyzing how national accounting standards apply to incentives in Utah.

METHODOLOGY

In 2014, the International City/County Management Association (ICMA) conducted a nationwide survey asking local economic development officials to describe how they award and manage their incentive programs.[1] Working with the Utah League of Cities and Towns, Utah Foundation asked a subset of the most relevant questions from that survey to 83 of Utah's largest cities and all counties in Utah. However, not all these communities offer incentives or are even interested in economic development. Only 76 communities actively collected TIF funds in 2018.

Fifty-two unique governments responded to Utah Foundation's survey: nine counties, 42 cities, and one local government that did not report whether it was a city or county. Twenty-eight of the local economic development officials reported their communities were located along the Wasatch Front (located in Weber, Davis, Salt Lake or Utah counties), while 21 local economic development officials reported their communities were not. Three local economic development officials did not report the location of their community. The survey respondents also included at least two local geographies that reported they did not offer financial incentives.

The survey was administered anonymously to allow respondents reply to the questions without fear that their answers would reflect negatively on them or their communities. However, 23 communities identified themselves over the course of the survey. These communities ranged from some of the highest users of TIF to those that used no incentives at all. The communities that self-identified represented 42% of the state's population and 53% of all TIF funds collected in 2018 and included a wide geographical reach. Because less than half of the total sample self-identified, the true representation of the sample is likely much higher.

To supplement the survey, Utah Foundation held in-depth interviews about incentive practices with 10 cities, two counties and six school districts.

Unless otherwise sourced, national data are from the 2014 ICMA survey, while state data are from Utah Foundation's 2019 survey and associated interviews. The 2014 survey represents the latest data available. While national trends may have changed slightly over the course of five years, there is still value in viewing Utah's cities and counties within a national context. Furthermore, Utah Foundation compared the 2014 ICMA survey with its 2009 edition, finding that the national trends remained largely the same over that five-year period, and in many cases survey responses were nearly identical.[2]

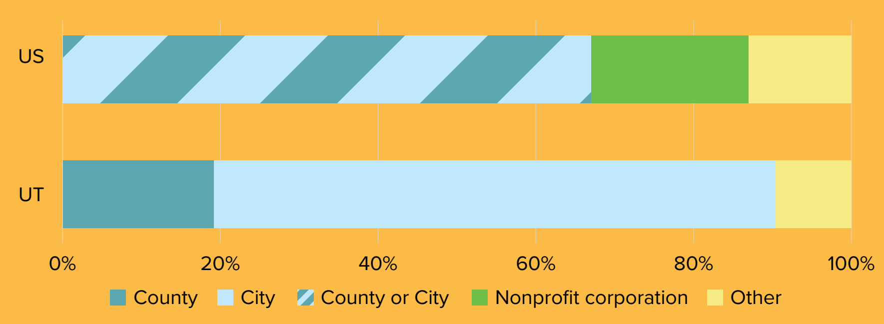
BACKGROUND

In Utah, cities tend to lead the way in local economic development. Cities are responsible for planning communities – making decisions in arenas such as land use, transportation, infrastructure, public safety and economic development – whereas the other taxing entities have more specialized responsibilities. However, cities often execute on economic development endeavors collaboratively, finding ways to encourage school districts, counties and special-purpose districts to participate. At times, counties will lead the way, but this tends to be the case when they are addressing the economic development needs of unincorporated areas or assisting (often smaller) cities with economic development plans.

Nationally, 20% of economic development is the responsibility of nonprofit organizations. In Utah, however, no survey respondents indicated that nonprofits have the primary responsibility.

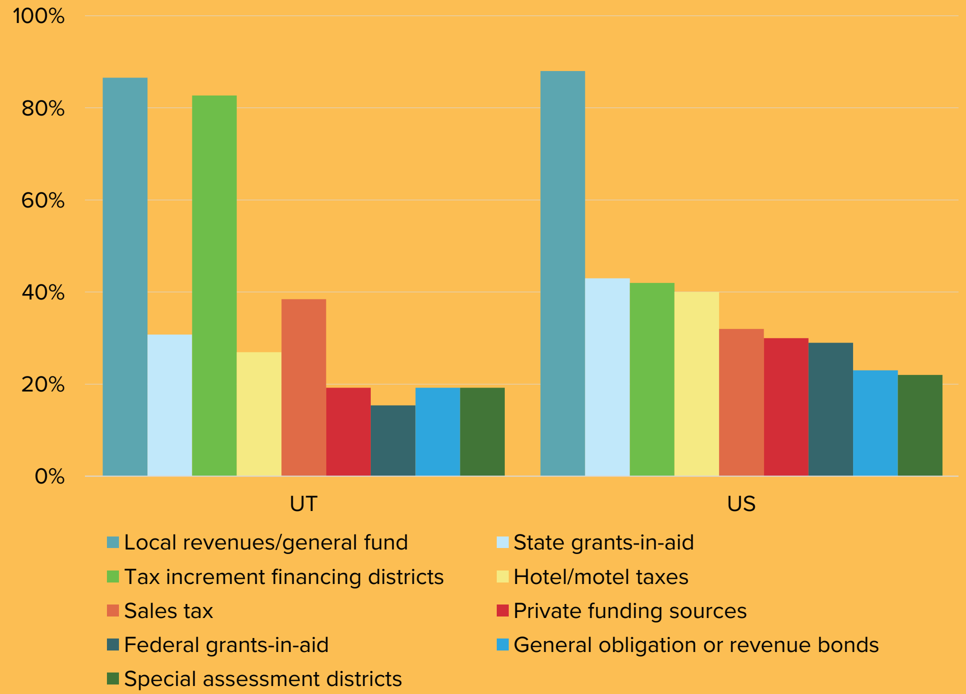
Cities and counties are primarily responsible for local economic development in Utah.

Figure 1: Question – "Which of the following statements best describes who has responsibility for economic development in your local government?"



Utah's local economic development officials are more likely to rely on TIF than their peers nationally.

Figure 2: Question – "Please indicate which of the following sources of revenue are used to fund your economic development programs. (Check all applicable.)"



Tax Increment Financing as a Funding Source

Cities and counties in Utah primarily rely upon general fund revenues (primarily funded via property, sales and business franchise taxes) and a mechanism known as tax increment financing (TIF) to pay for their economic development programs. Utah's local economic development officials are nearly twice as likely as their peers nationally to use TIF.

The observation that Utah is more likely to rely on TIF revenues reflects that it is the prominent tool that the state allows local governments to use. Different states allow local governments additional or different tools. Some states may allow cities to levy additional sales or income taxes or offer state funds for local government use. Other states may not allow TIF, or otherwise limit its functionality.

While cities often use general funds to support economic development, these funds are not often used as direct incentives. When cities use general funds, they are most often used to support economic development departments and other administrative functions. They may also use general funds to pay for infrastructure upgrades to serve a new development.

Fewer than half of Utah's survey respondents also reported the use of sales taxes, grants, bonds, private funding and other revenue sources, and each tended to be used about as frequently among national local economic development officials.[3]

Broadly speaking, tax increment financing involves four steps.

1. Establishing a physical project area.
2. Analyzing the baseline level of taxes that the project area produces.

3. Earmarking (or dedicating) growth beyond the baseline (the increment in tax increment financing) to pay for the area's economic development.
4. After a specified milestone is reached, (such as a time period, a property valuation level, or a dollar value contributed), the TIF is completed and the governments are able to use the full tax value of the project area as it sees fit.

Why Rely on TIF?

While local economic development officials can and have used other sources of funding to provide incentives, TIF happens to be one of the most common methods. While non-TIF sources of funding exist, they tend to be less flexible and have more limited funds. City budgets tend to be tightly allocated to pay for services and infrastructure, and as a result spare funds are often not available to incentivize economic development. The TIF mechanism allows the local government to promise a share of future, unallocated revenues, but only if the incentivized company creates those future revenues. The primary assumption behind a successful TIF is that the additional tax revenues would not occur (at the same level or on the same timeline) *but for* the incentive. To the degree that this underlying assumption is true, the government is not losing any money in awarding the incentive because, without the incentive, those funds would not have been available to the government anyway.

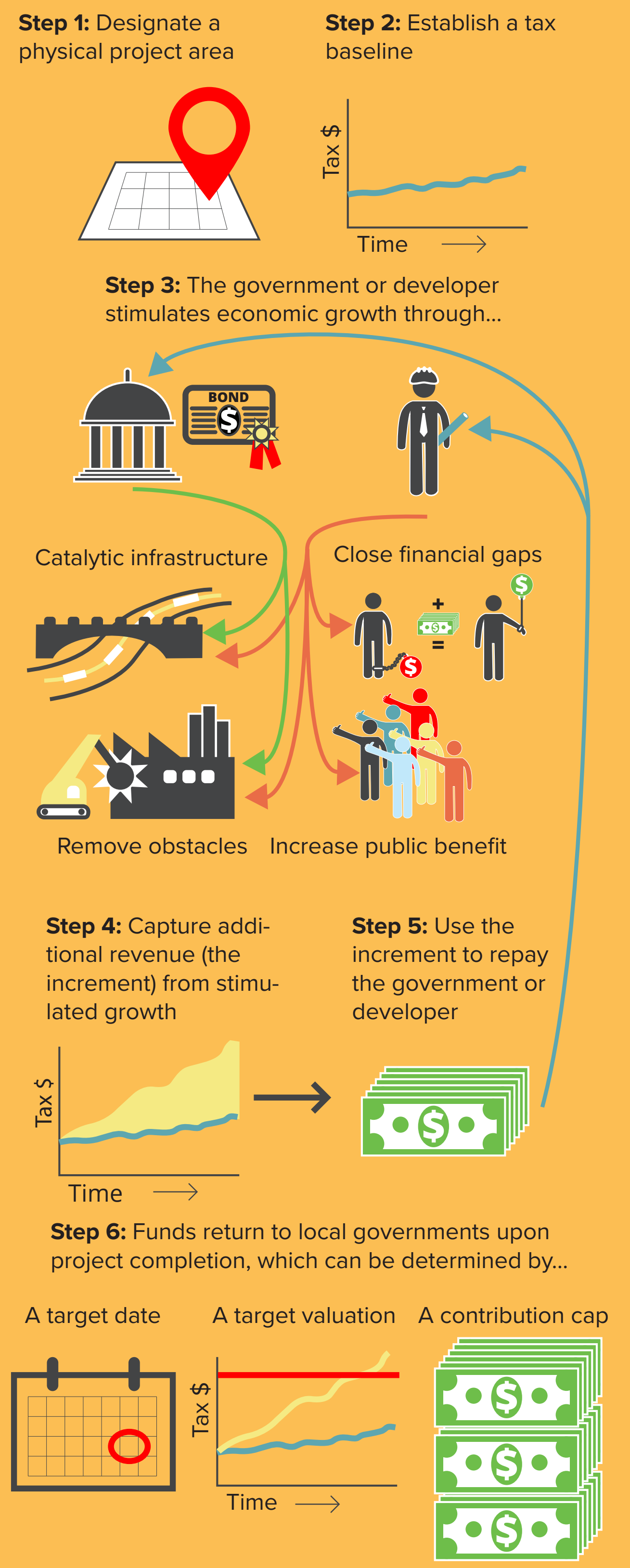
TIF in Utah is also a flexible tool. While funding from TIF can be used to pay incentives, local governments can also use it to pay for other economic development purposes such as installing or renewing infrastructure or even creating affordable housing. Cities in Utah face diverse circumstances and goals. Some focus on growth, others on renewal or infill, and others still on community preservation. While the types of tools available to local governments may be limited, TIF is a tool that is very flexible and meets the needs of local governments under many different circumstances.

Types of TIF

Local governments in general rely on three main tax sources: property taxes, sales taxes and corporate franchise taxes. Utah's cities have access to all three, while counties have access only to property and sales taxes. School districts rely on property tax-

What is the life cycle of a TIF?

Figure 3: A Visual Explanation of TIFs



CASE STUDY: CABELA'S

While some argue sales TIF arrangements do not create economic growth – instead just redistributing it other locations – proponents argue there may be an exception for retail developments that create destinations that draw from more distant locations. When Cabela's asked for its incentive in Lehi in 2005, it argued that it was the type of business that offered a desitnation benefit. In addition to a wide selection of outdoor supplies, Cabela's offers a large area featuring animal displays and a 45,000-gallon aquarium that it calls a public museum. With these and additional attractions, developers argue that Cabela's draws people in from other counties, even other states. When the school district declined to be part of the project, Lehi used a sales TIF instead of a property TIF to fund the incentive and partnered with Utah County for additional funding.

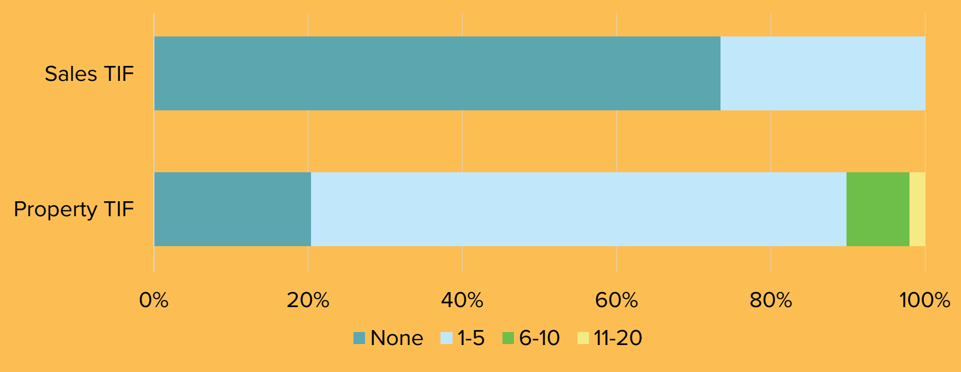
es and state funds, while special purpose districts generally have access to property taxes, and many collect additional revenues via fees for services. Because many local governments collect property taxes and only cities and counties collect sales taxes, property TIF generally has the potential to generate higher levels of funding for incentives.

As stated in Utah Foundation's previous research, property TIF tends to stand on a more solid economic footing than sales TIF.[4] With sales tax increments, it is more difficult to determine whether the additional sales from a new sporting goods store, for instance, truly creates new incremental revenue or just transfers sales from existing stores in the jurisdiction. Most states do not allow sales TIF.[5]

Utah's local governments are much more likely to use property TIF than sales TIF. While four out of five survey respondents indicated that their cities and counties have granted a property tax funded incentive in the past five years, only one out of four have granted an incentive funded via sales tax. This may be because property TIF projects in Utah are much more flexible than sales TIF projects; sales TIF projects work only for retail developments. Property TIF projects would allow the creation of residential, retail, office or industrial developments. (Sales tax revenue also tends to be more volatile.) In addition, property tax TIF has the potential for larger funds as only cities and counties collect sales tax, while all local governments collect property tax.

Property tax TIFs are more common than sales TIFs in Utah.

Figure 4: Question – "About how many companies have received an incentive funded with property TIF or sales tax increment financing or a sales tax diversion in the past five years?"



Not only do TIF arrangements vary by financing revenue, but they can also vary by purpose. In the past, local governments could create economic development areas, community development areas, urban renewal areas and others. These different types of project areas had different purposes, funding allocations, functions and regulations. Under current legislation, local governments can only create community reinvestment areas. However, many of these historical varieties still exist, and the specific purposes, powers and re-

CASE STUDY: NISSAN AND CHEVROLET DEALERSHIPS

South Jordan authorized sales TIF to two car dealerships previously located in neighboring cities. In both cases, the car manufacturer required dealerships to have locations with freeway frontage, and in one case, a larger lot, which necessitated a move out of previous locations. South Jordan initially turned one of the dealerships down, as they were requesting more than the city thought wise to offer. However, the project continued when the dealership returned with more modest requests. In both dealerships, the city also allowed exceptions to ordinances. It allowed trees to be planted at the ends of the property rather than spaced alongside the edge of the property, increasing visibility. While not a direct financial cost to the city, the ordinance expection did represent a tangible benefit to the car dealerships.

quirements that regulated these areas at their creation continue to apply today. With all the differences between project areas in mind, local governments largely use them to overcome obstacles that limit economic or community development. While these different project areas add a level of complexity to the discussion, this report broadly addresses them as "project areas" and unless otherwise specified, refers only to current legislation.

When using property TIF, cities often invite other local governments that collect property taxes in the project area to participate. Current state statutes allow each local government to decide what portion of the increment they will contribute and for how long.[6]

How the Increment is Used

The earmarked increment can be used in several ways. Some common ways increments are used in Utah include:

1. Building the required infrastructure to spur development (often originally financed through bonds which are then repaid using TIF revenues).
2. Mitigating problems that limit or prevent economic development, such as cleaning contaminated land, demolishing existing obsolete structures, or merging fragmented land ownership (which can be financed either through bonds, or pay-as-you-go).
3. Reimbursing a developer for publicly owned infrastructure improvements.
4. Providing funds to a developer to close a financial gap that cannot be closed in the private market.
5. Providing funds to a developer to offset the costs of developing in a specific way that advances the goals of the local government (perhaps in a specific location, with a shorter timeline, for a larger or improved project, or to provide unique public amenities or benefits that would not have happened otherwise).

The Role of Redevelopment Agencies

In order to use TIF to fund incentives, cities and counties need to work through a redevelopment agency (RDA). As laws have changed, the titles of these agencies have included redevelopment agency, economic development agency, community development and renewal agency, and community reinvestment agency. Throughout the report, Utah Foundation refers to them as RDAs. They share the same boundaries as their respective city or county (at least the county's unincorporated area) and the governing bodies are statutorily the same as their founding cities or counties (i.e. the city council or county council or commission).[7]

Under current statute, the RDA (or rather the city or county legislative body wearing their redevelopment hats) can create project areas and invite other local governments that tax the project area to sign interlocal agreements to participate in the economic development of the project area. This may or may not include financial incentives to private entities. If there are any private entities that will receive incentives, they work with the RDA to create participation agreements that outline expectations between the local governments and the private entity.[8]

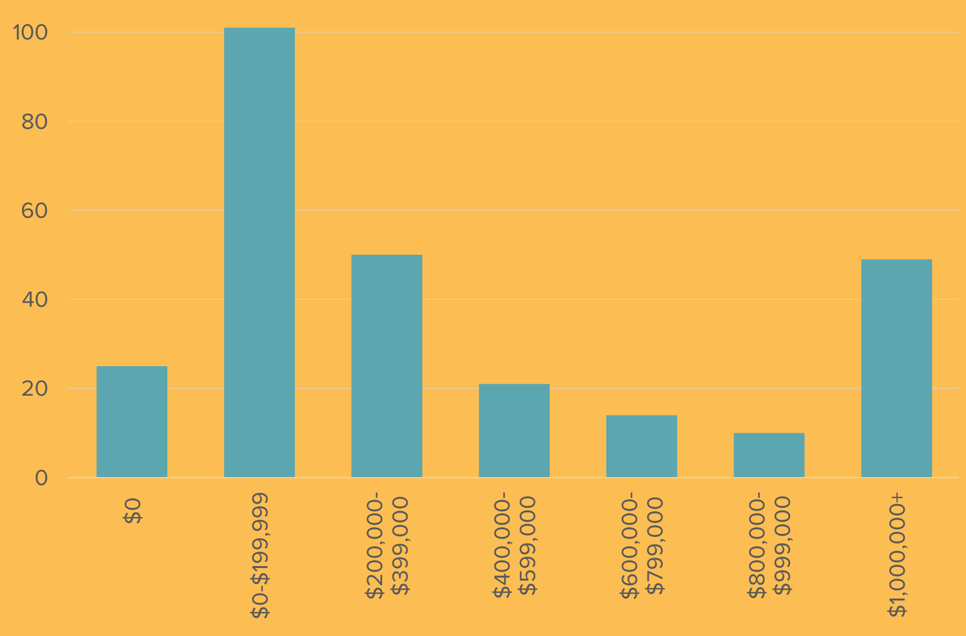
How Much Do Local Governments Spend on TIF?

Data regarding the amount local governments spend on incentive awards is limited. (The availability and unavailability of incentive data is discussed further in the *Providing Transparency* section of this report.) One limited set of data that is readily available shows funds redirected via property tax-based TIF. However, an unknown fraction of these funds is used as monetary incentive. This is because these funds may be used to pay for public infrastructure (water/sewer pipes, sidewalks, freeway interchanges, etc.) instead of monetary awards. In addition, some of these project funds may be returned to the original taxing entity (based on interlocal agreements and other regulation). Further, additional sources of funding incentives – such as sales tax-based TIF revenue and, in limited cases, general funds – are not included in these estimates. With these limitations in mind, the property TIF data can provide a helpful, if incomplete, view of the incentive landscape.

The limited, redirected property TIF data from the Utah State Tax Commission details 270 project areas across the state, 245 of which actively received funds from participating local governments. These project areas received $206 million in fiscal year 2018 (through local governments' property taxes), averaging $840,000 per active project area. This average, however, is somewhat deceptive; more than half of active project

Over half of active project areas received less than $300,000 from local governments in 2018, but a handful of large project areas pull up the average.

Figure 5: Project Areas by Revenue Received, FY 2018



areas received less than $300,000. (See Figure 5.) Some projects areas received as little as $87, while one of the Salt Lake City Central District Projects received nearly $25 million. The median project received $240,000.

Salt Lake County's project areas generated more than half of the funds dedicated to project areas across the state. (See Figure 6.) The four urban counties along the Wasatch Front account for 84% of project area funds. For context, the GDP of these four counties represented 81% of the state's GDP in 2018.[9]

Half of the funds redirected via property TIF are from taxes originally collected from school district taxes. This is logical considering that school districts collect more than half of all property tax revenues. However, school districts often cap contributions of their incremental revenues. The proportionality suggests that other local governments tend to match the level of school district contribution. This proportionality also means school districts are usually the biggest beneficiary when the TIF arrangement expires and local governments begin to gain all of the increment. It is interesting to note that counties provided slightly less tax increment than the share of tax revenue they collect while cities provided slightly more. (See Figure 7.)

Salt Lake County accounts for more than half of property TIF funds generated statewide.

Figure 6: Project Area Funds by County, FY 2018

County	Total TIF project funds
Salt Lake	$117,123,420
Utah	26,501,772
Weber	15,199,231
Davis	13,593,523
Summit	11,932,468
Iron	5,522,928
Box Elder	4,468,269
Tooele	3,015,119
Cache	2,868,757
Washington	2,700,930
Beaver	2,010,081
Uintah	181,401
Carbon	156,421
Morgan	145,893
Sanpete	124,240
Rich	96,226
Sevier	52,952

More than half the funds redirected via property TIF were originally taxed by schools.

Figure 7: Property TIF Revenues by Type of Local Government, FY 2018

	Property TIF payments	Share of total TIF payments	Share of property tax base
City	$39,736,219	19%	14%
County	30,361,305	15%	18%
School district	110,512,639	54%	55%
Special purpose district	25,083,468	12%	13%

Aside from SLCo and SLC, school districts transfer the highest amounts to economic development via property TIF.

Figure 8: Top 10 Local Government Contributors, FY 2018

Rank	Local Government	Total TIF contributions
1	Salt Lake County	$18,592,629
2	Salt Lake City School District	17,335,475
3	Jordan School District	14,963,691
4	Alpine School District	14,583,593
5	Canyons School District	13,964,102
6	Salt Lake City	12,561,447
7	Granite School District	8,866,018
8	Davis County School District	8,055,522
9	Park City School District	6,332,685
10	Ogden City School District	5,829,478

Correspondingly, school districts make up eight of the 10 local governments that contribute most to economic development via property TIF. (See Figure 8.) Salt Lake County (first) and Salt Lake City (sixth) are the only other entities to make the list.

When looking at the cities and counties that receive the most from their project areas, the list is dominated by cities in Salt Lake County, with the exception of Park City (fourth) and Vineyard (ninth). (See Figure 9.) Salt Lake City's RDA alone receives as much as the last 60 (of 75) cities and counties that receive property TIF revenues. On average, cities contribute a ratio of $1 of revenue per $5 from other local governments, but there is substantial variation among cities and counties. Salt Lake City and Vineyard both contribute a larger share, lowering the ratio to 1:3, while Draper and Sandy contribute a smaller share – about $1 versus $9 from other governments.

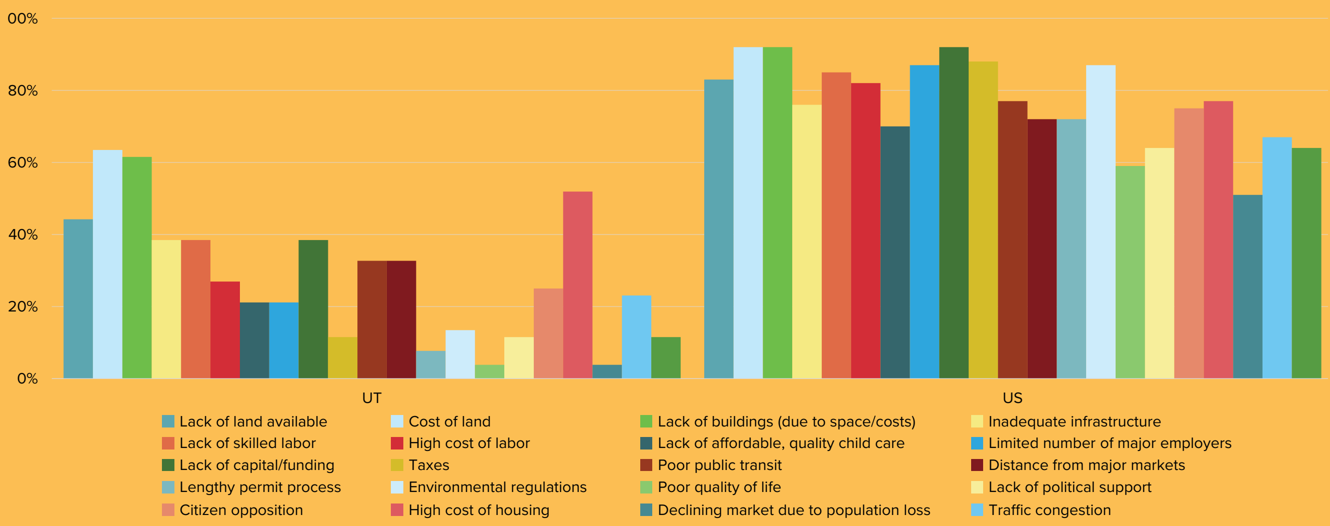
On average, cities contribute $1 of revenue per $5 from other local governments.

Figure 9: Top 10 Recipients of TIF funds, FY 2018

Agency	Property TIF funds received	Ratio of funds received from other local governments for every dollar contributed by the city
Salt Lake City RDA	$41,112,257	3:1
South Jordan City RDA	14,489,445	6:1
West Valley City RDA	13,209,728	4:1
Park City RDA	11,932,468	4:1
Ogden City RDA	11,784,473	5:1
Sandy City RDA	11,369,623	9:1
Lehi City RDA	10,721,346	5:1
Draper City RDA	8,943,457	9:1
Vineyard CDRA	8,276,067	3:1
Bluffdale City RDA	6,521,203	8:1

Utah's local economic development officials report fewer development barriers than their counterparts nationally.

Figure 10: Question – "Please indicate if your local government faces the following barriers to economic development. (Check all applicable.)"



Broadly speaking, Utah local economic development officials report fewer barriers to development in their communities than their peers nationally. (See Figure 10.) The barriers Utah's communities do report include the cost or availability of land, buildings or housing.

A FRAMEWORK FOR EVALUATING INCENTIVES

In the February 2020 report, *EDTIF Elevated?*, Utah Foundation set forth considerations in five different categories for decision-makers to use in addressing economic development incentives. From the perspective of the general public, we take as a given that it is desirable for incentives to be deployed in a manner that is: 1) strategic; 2) coordinated; 3) effective; 4) efficient; and 5) transparent. This report employs the same framework for evaluating incentives.

1. CREATING A STRATEGIC APPROACH

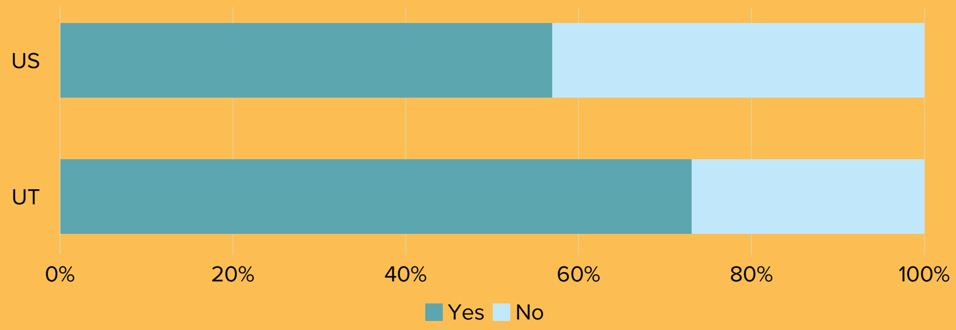
Making sure incentives are strategic requires determining which problems the incentives are meant to address and why those problems matter. Without a clear determination on those questions, tax incentives can become subject to a kitchen-sink approach, and some policymakers may be inclined toward an overly expansive deployment of the incentives. A tax incentive is meant to serve as a device to execute a stated economic development purpose. Without a clear, specific strategy, its utility – and credibility among the public – can be undermined.

Making a Plan

Nearly three-quarters of local economic development officials in Utah report that their local governments have produced written economic development plans. This represents a larger share of local governments compared to the na-

Utah local governments are more likely than their U.S. peers to have written economic development plans.

Figure 11: Question – "Does your community have a written economic development plan?"



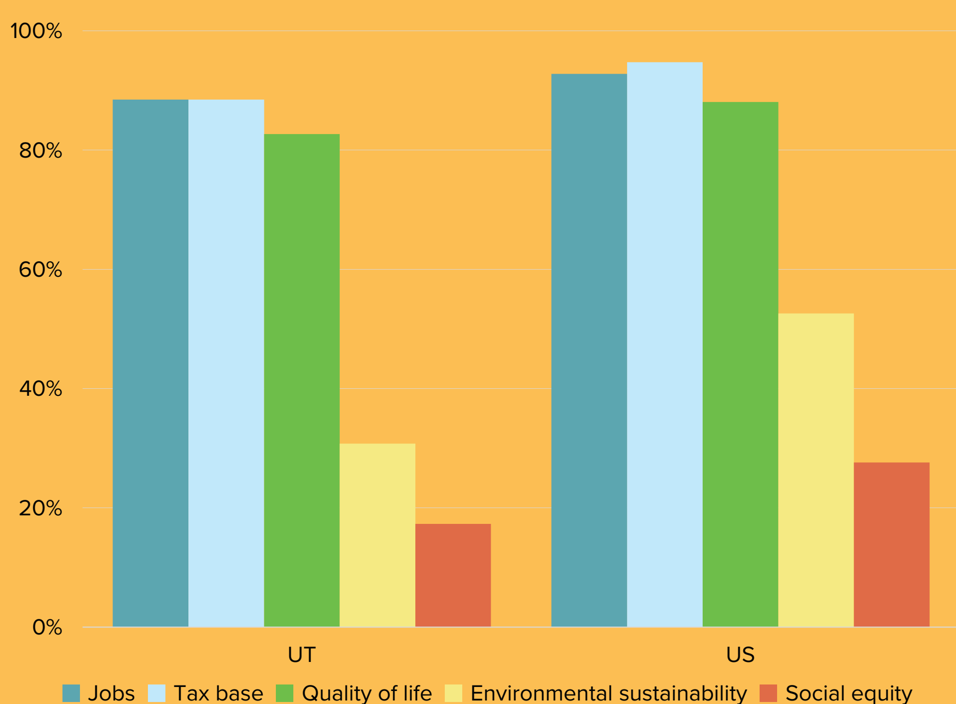
tion at large. (See Figure 11.) There was no apparent relationship between whether a city or county issued a business incentive in the past five years and whether or not the city had a written plan. However, the fact that 27% of Utah's local governments lack written economic development plans may in some cases be cause for concern. Without goals and targets, incentives can be awarded in a slipshod fashion, which can divert funding to areas where it is not particularly needed.

What's in the Plan?

While not all cities and counties have formalized their goals and objectives in written economic development plans, many still follow general guidelines and policies. An overwhelming majority of local economic development officials in Utah and nationally report goals to promote jobs, increase the tax base and enhance quality of life. (See Figure 12.) Creating jobs has the potential to benefit residents either directly through their job, or indirectly through the spending of the income from those jobs in the area. Many economic development officials see their role as creating a larger tax base to limit the taxes levied on residents. Approaches to enhancing the quality of life could range from creating attractive spaces to ensuring desired retail is easily accessible for residents.

An overwhelming majority of local economic development officials prioritize jobs, tax base and quality of life.

Figure 12: Question – "Indicate which of the following are economic development goals in your community."



Some have also begun to include "environmental sustainability" and "social equity" as priorities, which relate to community values and aspirations. Just under one-third of Utah's local economic development officials also reported a goal of environmental sustainability, compared to half of officials nationwide. Few local economic development officials in Utah or the nation report social equity as an economic development priority. These newer categories may be open to wider interpretation than jobs and tax base for which straightforward metrics can be deployed. On the other hand, quality of life is a goal with wide interpretation, though it is a more common priority. Cities may also have other goals, such as blight remediation, crime reduction or environmental remediation.

It should be noted that these economic development goals encapsulate many possible city objectives. Cities often have more complex objectives and targets than just jobs created or tax revenues generated.

While 88% of Utah local economic development officials reported that jobs are an economic development goal in their community, only 4% reported that local jobs were ever a condition for incentives.

The fact that most local economic development officials reported a goal to create jobs but do not make incentives conditional on *local* jobs does not necessarily reflect a strategy mismatch. Cities do not directly benefit from additional jobs in their city. Nor will cities indirectly benefit if workers are residents rather than non-residents. Moreover, cities often leverage regional benefits, and allowing a company to hire outside municipal borders provides additional qualified candidates for the incentivized company. In other cases, local officials report using jobs as a proxy for property valuation requirements (with the idea that more expensive buildings correlate with more, or higher paying jobs). The fact that few communities require local jobs also likely reflects the practicalities of the mismatch between where people want to live and where they can find jobs. Workforces commonly cross municipal borders. In fact, an analysis of the commuting patterns of Utah's 100 largest cities shows than only 18% of the population lives and work in the same municipality.[10] (See Figure 13.)

Large regional cities tend to employ a larger share of resident workers while suburbs employ few resident workers.

Figure 13: Share of Resident Workers Employed within Municipal Boundaries, Top 10 and Assorted Examples

City	Worker population ranking	Worker population	Share of workers that live and work in city
Salt Lake City	1	94,179	43%
West Valley City	2	64,062	15%
West Jordan	3	57,470	10%
Sandy	4	48,905	13%
Orem	5	43,644	23%
Provo	6	40,288	33%
Ogden	7	37,826	33%
St George	8	33,003	65%
Taylorsville	9	31,994	6%
South Jordan	10	31,949	10%
Layton	11	30,904	15%
Bountiful	18	20,281	10%
Kearns	20	18,739	2%
Roy	22	17,320	6%
Eagle Mountain	30	13,275	4%

The fact that most local economic development officials reported a goal to create jobs but do not make incentives conditional on *local* jobs does not necessarily reflect a strategy mismatch.

Utah's local economic development officials' motivations behind strategy largely mirror those found nationwide.

Figure 14: Question – "How much did the considerations below motivate economic development priorities of your local government?" (Share of respondents who reported a "significant" or "moderate" motivation.)

What Drives the Plan?

Local economic development officials, in Utah and nationally, report that their priorities are predominantly determined by changes in the local economy – such as a recession or the employment growth of a specific sector.

Other factors that tend to affect a local communities' priorities include increased competition from comparative cities, changes in political or departmental leadership, or the success or failure of past initiatives.

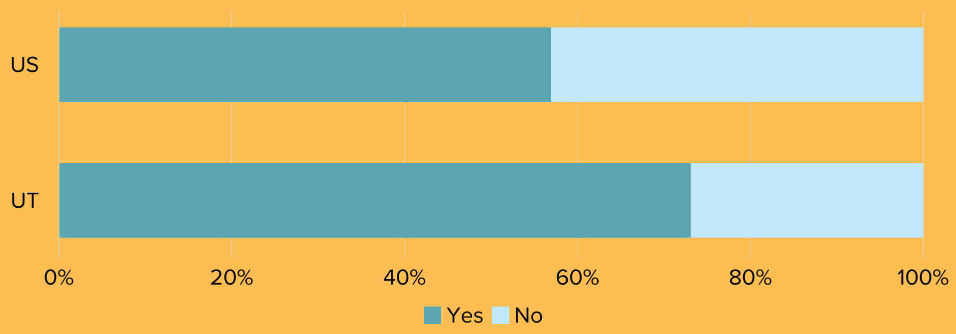
Factors that tend not to influence the economic development priorities of local economic development officials include learning about new economic development tools, an aging population, income inequality or concern about environmental sustainability.

SCHOOL DISTRICT STRATEGIES

While school districts do not drive the economic development process, they often end up putting the most money in the pot because they receive the largest share of the tax revenues in question. While Utah Foundation did not survey school districts for this project, we found that each of the five school districts interviewed had a list of criteria they considered when presented with possible TIF projects. The formality of these criteria varies, ranging from public, written policies to a flexible list of general principles. The degree that potential projects agree with district criteria generally determines the level at which the districts choose to contribute. School districts can contribute a larger or smaller share of the increment, contribute for a longer or shorter duration, or adjust the maximum amount of total money they are willing to contribute. School district priorities are discussed further in the Coordinating Economic Development section of this report.

Utah local economic development officials are more likely than national peers to spend based on economic development priorities outlined in their plan.

Figure 15: Question – "Is the overall budget allocation process linked to economic development priorities specified in the plan?"



Does the Plan Drive the Money?

Fewer than half of cities and counties surveyed reported that their budget allocation for economic development is linked to the economic development priorities specified by local government's plans. (See Figure 15.) That said, Utah's local economic development officials are more likely than their national counterparts to prioritize budget allocations as spelled out in their economic development plans.

2. COORDINATING ECONOMIC DEVELOPMENT

The issue of coordination between governmental entities can create complications, particularly with regard to strategic considerations. For example, incentive decisions involve multiple government entities, meaning that it may be difficult for a local government to execute its strategy without cooperation from others.

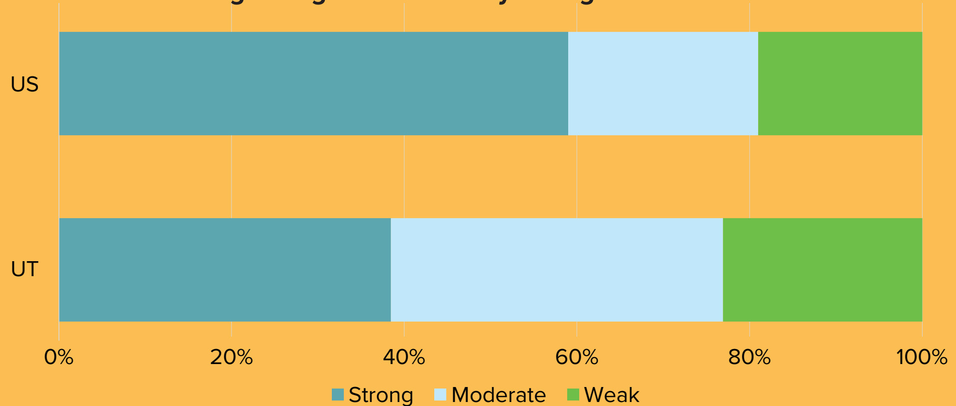
In interviews with Utah Foundation, some economic development officials and business leaders have called into question the level of strategic alignment between local and state incentives. Utah's flagship incentive program, Economic Development Tax Increment Financing (EDTIF), focuses on high-wage job creation and provides tax credits for relocating and expanding companies that meet employment benchmarks. Because projects proposed under the EDTIF program require local support, the alignment of state and local incentive strategies can be an issue at times.

In interviews, some state-level officials have suggested that local economic development officials may at times be too focused on building their sales tax base through retail projects while neglecting opportunities to incentivize state-supported job-creation projects. In other cases, companies that qualify for state incentives might not merit local incentives based on local cost-benefit and but-for analyses. In these cases, deals that the state has supported can fall apart. This has led some state policymakers to ask whether steps should be taken to better align state and local economic development goals.

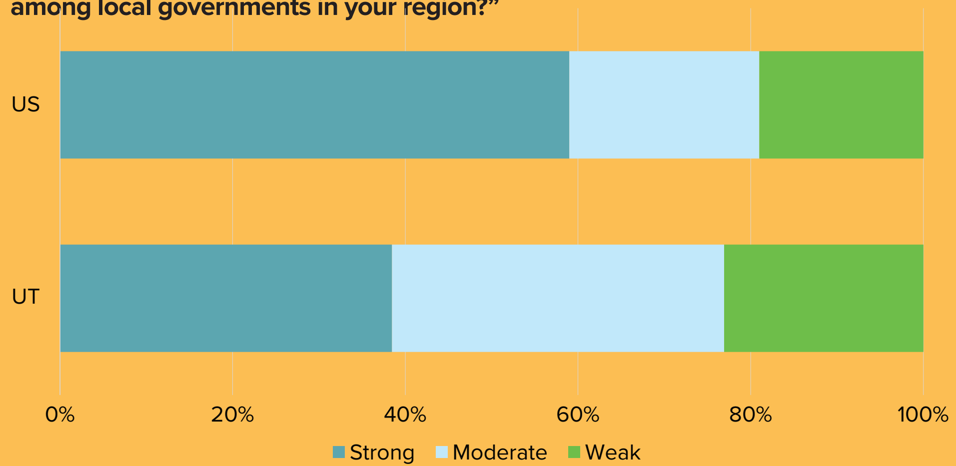
Not only are there questions about coordination between the state and local levels, but also among local governments themselves. Local incentives are primarily fi-

Compared to national peers, local economic development officials in Utah report lower levels of competition – but also lower levels of cooperation.

Figure 16: Question – "How strong is the competition for economic development and tax base among local governments in your region?"



Question – "How strong is the cooperation for economic development and tax base among local governments in your region?"



nanced through local property taxes. Because property taxes are shared between the different types of local governments, it can sometimes be difficult to bring all of these entities together to support a project. Moreover, competition may arise among local governments vying for the same project.

That said, Utah Foundation found that, compared to their national peers, Utah's local economic development officials reported much lower levels of competition for economic development and local tax base among local governments in their region. (See Figure 16.) Interestingly, however, Utah's local economic development officials also reported lower levels of coordination for economic development and tax base among local governments in their region.

In Utah Foundation's interviews with local development officials, many reported high levels of cooperation among overlapping governments, but a number observed that coordination between comparable governments (cities with other cities) tended to be more through informal networks, rather than structured events or agreements.

Fiscal Motivations

One of the key areas where the alignment between governments may break down is with regard to structural fiscal motivations. State and local governments receive revenues from different sources, and each government must consider the fiscal impacts to its budget, in addition to the overall benefit to its community.

Differing cost-of-service levels may come into play for certain governments. Consider a hypothetical datacenter. With the few new high-paying jobs it would create, there might not be much benefit for the state. The school district would look at the benefit of higher property taxes and see negligible costs incurred from additional students. A county might figure that the two locations the datacenter is considering are both within its jurisdiction and so it might have no reason to provide an incen-

CASE STUDY: PLURALSIGHT

In 2017, Pluralsight announced that it was expanding outside of its initial home in Farmington, Utah. Among other locations, it was considering properties in Lehi and Draper.

Lehi officials looked at the existing development landscape and determined that – even without the incentive – the location would probably eventually draw a similarly scoped project; as such, Lehi offered a modest incentive.

Draper economic officials found support for the project at the county level. Since the competing locations were in different counties, Salt Lake County had a stake in whether the project went to Draper over Lehi, located in Utah County. As a result, the county and city worked closely together on the project. The county provided much of the initial analysis, determining that the scope of the Pluralsight development would substantially improve the value of the property over the value of similar non-incentivized projects. They were able to put together an incentive that the city, the county and even the school district felt would benefit them. Pluralsight agreed to provide coding programs for students and professional development for technology teachers. The county, city and school district showcased the Pluralsight project as a model of cooperation and widespread community benefit. However, it also highlights one criticism state officials often have with local incentives: By moving from one locality to another within the state, the project benefits the new locality, but provides less benefit to the state overall. Supporters argue that this criticzm is not applicable in this case because Pluralsight was expanding and had needs that could not be met in its current location. The company was also considering out-of-state alternatives.

Pluralsight's Draper headquarters.

tive for a choice that will benefit the county either way. A city would have to weigh higher property tax revenues against the cost of providing infrastructure (roads, access, storm water) to the development. An improvement district providing water would weigh the costs of improving the infrastructure to support large water demands against the benefits of a customer paying for large amounts of water.

This section outlines broad trends and generalizes the approach different types of local government tend to have when thinking about different types of development. However, there will undoubtedly be a number of counterexamples because fiscal motivations are only one factor in an array of considerations local governments face when deciding whether to participate in local incentives.

State Government. Utah's state government receives revenues from income and sales taxes. From a revenue standpoint, it is therefore interested in development that creates more higher-paying jobs or new, incremental sales. As a result, the financial benefit of incentivizing a retail development is not clear. Any retail development in Utah would likely shift retail sales from other Utah competitors or even a different industry within the state because there is a limit to the individual income of residents. However, if the state creates additional high-paying jobs, that equates to more state revenue through the income tax. Since Utah residents would then have more income to spend on retail activities, there could be a resulting increase in overall sales tax revenues. As a result, the state tends to focus its incentives on projects that would relocate jobs to Utah or expand the number of jobs from existing employers in Utah. Note that it is not always clear whether new high paying jobs would not have been created even without the incentive, or if the jobs are just being shifted from another local geography.

Counties. Counties generally collect their revenues from property taxes and sales taxes. As a result, they would have a fiscal motivation to support development that provides revenues from these sources. However, because counties cover a larger geographical area, a development project that might be good for a specific city is not necessarily beneficial to the county as a whole. If one municipality offers an incentive for a business to relocate from a neighboring community, it may benefit

Each local government type has different considerations as to whether the ongoing costs of new development are offset enough by additional revenues.

Figure 17: Fiscal Motivations for Different Categories of Local Governments

Type and example of local government	Type of development	Upfront costs from development	Ongoing costs from development	Additional revenues outside of property taxes	Fiscal motivations
Local and special-purpose districts					
Mosquito Abatement District	Any	No	No	No	Participate
Drainage or flood control	Any	Yes, but may be offset with impact fees	No	No	Participate
Emergency services	Any	No	Yes	No	Not Participate
Recreational facilities, airports	Any	No	No	Yes	Participate
Water providers, sewage and garbage service	Any	Yes, but may be offset with impact fees	Yes	Yes	Mixed
School Districts					
	Retail, commercial or industrial developments	No	No	No	Participate
	Multifamily Housing	No	Yes, but typically more limited than single famiily housing	Yes, state money partially coveres costs	Mixed
Growing Districts	Housing, increasing stock	No	Yes	Yes, state money partially coveres costs	Not participate
Shrinking Districts	Housing, increasing stock	No	Yes, but infrastrucure already in place	Yes, state money partially coveres costs	Participate
	Housing, decreasing stock	No	No	No	Participate
Counties					
	When relocation would occur elsewhere but within county boundaries	Yes, but may be offset with impact fees	Maybe	No	Not participate
	When relocation/expansion would not otherwise occur in the county	Yes, but may be offset with impact fees	Maybe	No	Participate
Cities					
	Commercial, retail or industrial	Yes, but may be offset with impact fees	Maybe	No	Participate
	Residential	Yes, but may be offset with impact fees	Yes	No	Not Participate

Like counties, cities collect most of their revenues from property and sales taxes. They have a fiscal motivation to encourage commercial, retail and industrial development because those projects tend to bring in new revenue for the city.

the municipality, but it could be a wash for the county if both communities are within the county. In fact, if the county participated in such a project using sales tax increments, it could end up forgoing funds it would have otherwise received had the new development not occurred. However, to the degree that the incentive entices development that would not have otherwise occurred in the county, it could benefit the county to participate. Different counties across Utah may offer different governmental services as well. Any additional costs created by new developments – such as increased demand for youth, aging or health services – may influence county participation.

Cities. Like counties, cities collect most of their revenues from property and sales taxes. They have a fiscal motivation to encourage commercial, retail and industrial development because those projects tend to bring in new revenue for the city. While the state often focuses on jobs, creating additional jobs generally does not directly benefit cities so they consequently have less fiscal motivation to support those projects. Housing, on the other hand, generally provides some additional property taxes, but it usually does not fully cover the extra services that new residents require, especially with the 45% exemption on the value of primary residential properties. Broadly speaking, there is not a strong financial motivation for cities to support residential development from a fiscal point of view. In addition, each city has a different and diverse array of services to offer citizens. Depending on the specific services a city offers, it may confront many of the cost-benefit decisions outlined under *Special Purpose Districts*, below.

School Districts. While school districts do receive funds from the state, they obtain most of their local revenues from property taxes. A given school district might support development that increases jobs and property values, but it might have less motivation to support developments that would result in an increase in housing development. This is because additional housing might correspond with the districts incurring the cost of serving more children. But since they are forgoing the revenue of the project area, they will not receive the associated property tax revenue to help cover the costs of those new children. That said, school districts that are shrinking might be less opposed housing because they have infrastructure in place to support additional children. In other cases, some redevelopment projects replace blighted, low-value housing with mid-range housing with larger property sizes, increasing the property value while reducing housing stock, limiting any negative impacts on school districts.

Special-Purpose Districts. Other types of local or special-purpose districts can obtain revenues through property taxes and fees. The fiscal motivations for those that rely heavily on property taxes will depend on whether the additional development will affect the cost of their services. In most circumstances, new developments would have a limited impact on mosquito abatement districts. The mosquito abatement service would cover the district whether new development happens within its jurisdiction or not. If they agree that the development would not happen without the incentive, there is little reason not to participate.

In other cases, development may incur additional upfront costs for the local or special-purpose district, but the district may see only marginally higher costs once the development is completed. This might be the case for districts that provide street lighting or flood control. These districts would receive impact fees to cover much of the initial development and therefore may have little motivation not to participate.

On the other hand, new developments may cause higher ongoing costs for some types of local and special purpose districts. Correctional facilities and emergency services such as fire, police, medical or dispatch services may see costs increases with new development. But without the forgone revenues to cover those costs, they would have to shuffle the costs of those additional services onto property owners outside the development area, or provide a lower quality of service as they try to do more with the same amount of revenue. These types of districts would have less fiscal motivation to forgo their revenues to encourage economic development.

Other types of local or special-purpose districts collect fees in addition to property taxes. When developments would have little impact on the cost of services, there may be a fiscal motivation to forgo revenues. This might be the case for recreational facilities or airports. Additional development does little to their bottom line, but the new development may represent new customers for their services.

Many other local and special-purpose districts that will have higher ongoing costs of providing services with additional development may have conflicting motivations. Water providers, sewage systems, garbage services and libraries may fall into this category. While development may bring more customers, it also brings higher ongoing costs. Whether they have motivation to participate or not will likely be the result of whether the revenue generated by new customers exceeds the additional costs of serving those new customers without the aid of property taxes.

Beyond Fiscal Motivations

In many cases, there are strong ties between local governments that cooperate on a number of other issues. For example, Ogden City School District regularly contracts with Ogden City to use expensive equipment that would be costly for the school district to own and maintain itself. Davis County School District has a series of interlocal agreements with cities that allow the district to use city public areas for school events and the cities to use school facilities for public events. Existing cooperative ties can improve relationships and awareness of the needs of other local governments. This may lead local governments to participate in projects despite fiscal motivations because of the benefit it provides for other local governments or the local citizens.

Other factors could include a local government's willingness to be a team player in helping build the type of community that its residents want. In such cases, local governments may look beyond simple fiscal motivations when considering other goals of the community, including priorities such as affordable housing, clean air, energy efficiency, quality of life or preserving historic sites or areas.

Broadly speaking, Utah Foundation has observed that the more aligned the boundaries of local governments, the higher the level of cooperation. To some degree this would be expected. When local governments have similar boundaries, they will largely represent the same individuals who have the same needs. When local boundaries do not align, one government entity might be working for the interest of its residents and their specific needs, but another might have a broader perspective as it seeks to meet the needs of a larger community.

While at times there may be conflicting goals at the city, school district, county and state levels, the appropriate level of cooperation may be a matter for debate.

While at times there may be conflicting goals at the city, school district, county and state levels, the appropriate level of cooperation may be a matter for debate. A project that passes the state's cost-benefit analysis may not meet the but-for requirements of a county. In some instances, it might not be appropriate for the state or a local government to pursue its economic development goals at the cost of other governments, such as school districts or water agencies.

At the same time, there are potential benefits and efficiencies from approaching economic development from a regional or even statewide perspective. To begin with, it diminishes the danger of unproductive competition among local jurisdictions, which from a state or regional perspective may be self-defeating. It may also assist with providing clearly aligned messaging to economic development projects that emphasizes state or regional assets, as opposed to competing voices that may discourage such development.

To add one final complication, political pressures can also play a role in decisions. While most projects fail to garner attention outside of the local community, some projects can attract extra attention. At times, the state, members of the Utah Legislature, county political officials, advocacy groups, or other prominent individuals can exert political pressures on the process.[11]

Collaborating Governments with Competing Goals

One interesting area that cities in Salt Lake County have to navigate is working with: a) school districts that may try to avoid residential projects, and b) Salt Lake County, which has an affordable housing component as one of its top priorities. Additional residential development represents more children for schools to teach, though additional state funds may not cover all the additional expenses. Yet school districts are often concerned that residential property (most of which has a 45% exemption) is often not enough to cover the associated costs of providing school services to those additional children. This is much less so when the additional potential revenue from the residential development is tied up as incremental revenue. Yet in this process, school districts and the county do not necessarily directly negotiate; this is done with the city as an intermediary. As a result, cities often need to design projects that meet both county and school district goals.

Coordinating with School Districts. The school districts interviewed by Utah Foundation all had a list of criteria to decide participation in an incentive deal. Some of the most common were:

- Limited residential development.
- Limited retail development.

- A focus on high-wage jobs.
- A strong limit on contributions (whether valuation cap, dollar cap or time limit).

Other interesting criteria included specific additional benefits for the schools. This could be providing internships, donating equipment, foundation involvement or even donating land for a future school. However, one observer pointed out that potential transparency issues may arise with such quid pro quo agreements.

Coordinating with the County. Relationships between cities and counties vary to a surprising degree. Some city economic development professionals reported superb relationships with their county, at times working in tandem. Other cities reported more fraught relationships, feeling that their county's increment was being held hostage by county goals that were not relevant to the city.

Coordinating with the State. There are claims on all sides for increased coordination between the state and local entities. But the coordination looks different depending on who is calling for it. In a review of its redevelopment strategy mandated by 2019 legislation, the Governor's Office of Economic Development concluded that the state could offer increased training, including training that would "improve state and local practitioner skills to understand the purpose of state incentives," "articulate the relative roles of state and local partners," and provide "professional training to local officials on what the state expects from those communities for Utah."[12] Meanwhile, the Utah League of Cities and Towns has issued a resolution proclaiming that "Collaboration in economic development should be encouraged and supported reciprocally in all levels of government, recognizing that economic development is most effectively and efficiently implemented locally."[13] In other words, both the state and local governments want a higher level of collaboration, but on somewhat different terms.

As highlighted in previous reports in this series, a certain amount of friction is expected and probably healthy as the state and local governments negotiate projects that will be beneficial to all parties. Also, these parties recognize that they can achieve a lot more through cooperation than they can alone. In the same resolution, the Utah League of Cities and Towns confirmed "economic development is most beneficial when all affected stakeholders collaborate and contribute towards a mutually beneficial outcome." And state officials confirmed in their report, "A key goal of this effort will be to clarify the important role that local support (e.g., infrastructure investments, expedited permitting, low-cost loans, etc.,) plays in attracting businesses to Utah."[14]

In addition to increased coordination through training, recognition and cooperation, many local development officials mentioned the need for an improved alignment between goals and revenues. The misalignment was highlighted earlier regarding the different fiscal motivations between the state (which benefits from additional jobs) and local governments (which benefit from additional property value). One suggestion was to find a way for the state to award funding to cities and counties based on job creation.

Coordinating with Other Local Governments. While Utah Foundation did not reach out to special-purpose governments, interview participants unanimously reported that the special-purpose districts in their areas were cooperative. In some cases, these special-purpose districts may not even be asked to contribute since the city, county and school district often account for the overwhelming majority of incentive funds in their local communities.

CASE STUDY: FACEBOOK

In 2016, Facebook was interested in building a datacenter in Utah. Several jurisdictions initially considered supporting the project, including West Valley, South Jordan and West Jordan. Ultimately, West Valley and South Jordan determined that the data center would not be worth the amount in incentives requested by Facebook. Some local governments did not like Facebook's initial lack of transparency and how it focused on what it expected of communities rather than how it would benefit them. Furthermore, Facebook refused to make preliminary commitments to supporting education, rejected any sort of cap on the incentive, and refused to allow any funds to go toward affordable housing.[15] However, negotiations with Facebook proceeded until many concerns were alleviated, and Salt Lake County reached a tentative agreement with Facebook.

Facebook decided to approve the project through a Taxation Executive Committee rather than forging individual interlocal agreements. This created the possibility that a few opposing governments could kill the project rather than just simply choosing to not participate.

During the consideration of this project, there were significant political pressures to bring Facebook to Utah; the state had approved incentives, and political actors were urging the Taxation Executive Committee to approve the deal. West Jordan and the school district voted for the project. However, Salt Lake County voted against it, and the deal was ultimately scrapped with a vote against it from the state school board, a somewhat surprising move because the state school board typically votes in line with local school districts.

Two years later, Facebook returned to Utah working with Eagle Mountain. This time Facebook chose to negotiate interlocal agreements with the local governments. While the local school board again felt rushed and pressured, it ultimately approved the project.[16] The city and county had few concerns and considered the datacenter to be a vast improvement over what would occur in the project area without the incentive, so they both approved the project.[17]

Whose Money is it Anyway?

Cities and counties collaborate with other local governments in order to use more funds that can create more extensive economic development. There are different views regarding the tax revenues from collaborating local governments that are redirected to the RDA. In interviews with Utah Foundation, some school districts had the perspective that these redirected funds belonged to the school district, and that they were forgoing them in order to gain some sort of benefit – usually higher revenues in the future. Critics of the TIF process will sometimes frame these redirected funds as money that should have been used for children and teachers instead of corporations' balance sheets. Supporters of the TIF process point out that, without the dedication of future tax revenues as an incentive, those revenues would not exist to use for educating children or paying teacher salaries. However, this defense rests on the central assumption of tax increment financing: that, without the incentive, the project area would have seen no new development relative to the base year over the life of the project area.

So long as that assumption holds true, economic development officials may have a valid viewpoint when they do not consider any RDA funds transferred from a school district to technically be school district funds. While funds are taxed nominally under the school district's tax rate, the money is collected by the county and usually transferred directly to the RDA, never touching the school district's bank accounts. In this way, transferred funds would be misclassified as a contribution or investment; instead, they would merely show up on a school district's accounting records.

In some ways, transferred funds represent unrealized gains. As assets in a retirement accounts may increase in values, there are not any actual additional funds in those accounts until those assets are sold. Similarly, funds transferred from school districts and other coordinating governments represent unrealized gains that do not actually exist for the coordinating government until the project is completed and all the increment reverts to the government levying the tax. All these claims are a valid point of view as long as the fundamental assumption holds true, that without the incentive, the project area would have seen no new development relative to the base year over the life of the project area.

But does that assumption always hold true? There are two main considerations that limit the strength of that fundamental assumption. The first is a rather fundamental challenge: that no one knows for sure what will happen in a given project area in the future. While economic development officials make a good-faith effort to ensure they are not paying tax incentives for economic development that would occur without the development, they are not fortune tellers. There is no way to have perfect certainty regarding whether one project or any similar alternative will go forward in a project area. While data regarding the development of comparable areas can be analyzed, this analysis can only go so far. In many ways, the decision boils down to a cost-benefit analysis of estimated probabilities. The question is whether the promised incentivized benefit would be greater than the cost of the incentive and greater than the likelihood of some sort of alternative development. But as that likelihood increases above zero, the fundamental assumption loses strength. The longer the time period of the project area, the more uncertainty is involved in the examination of alternatives, and the strength of the fundamental assumption decreases further. Certainly, there are areas that might not see development for the potential length of a project area, which can last from 10 to 15 or even 30 years. And while the risk cooperating governments take may be worth taking, the risk is not always zero.

The second factor relates to how cities use incentives. In many cases an incentive determines whether a development will happen or not. In other cases, an incentive determines whether a development happens in a *specific way* or not. Cities commonly use incentives to encourage development to occur in such a way to provide a greater benefit to the city or its residents. This could be that a project happens in a place that better fits the community's development plan, occurs sooner (shortening the time of economic stagnation), enables a larger or compounded benefit, or creates an additional benefit to the public. However, the basic assumption of tax increment financing no longer applies. In these cases, there is an implicit expectation that some form of economic development would have occurred at the site and provided new tax revenues even without a TIF incentive. The same issue also arises if a local government establishes a base year with lower revenues than the current base year.

That is not to say that these incentives would be bad choices for cooperating governments. Governments often find that the likely benefits outweigh the likely cost. It simply means that cooperating governments are actually giving up funds they would otherwise collect and use to provide services to citizens. Many TIF agreements may account for this by limiting the contributions of the cooperating government, whether by reducing the share of the increment transferred, a short length of the transfer, or some sort of fund or valuation cap. In other cases, an RDA may return unused funds back to the cooperating government.

These are the sort of complicated considerations local governments face as they consider whether and how much to contribute to potential incentivized projects.

CASE STUDY: MERIT MEDICAL

Merit Medical was established in 1987 in South Jordan. It originally set up a TIF area in 2005. With the area set to expire in 2021, Merit Medical proposed an extension, suggesting it would move its expansion to Ireland, Mexico or Texas without an incentive. Both the city and the school district reported that creating a new TIF to incentivize the local expansion of the company should have sailed through the interlocal agreement process. However, to capture a larger incentive, Merit Medical wanted to use the original (lower) tax revenue baseline set in 2005 instead of creating a new baseline at the 2018 level. This made it a substantially bigger ask for the school district, city and county. There were also immense political pressures involved in this process. The state had approved incentives for its expansion. Ultimately, the school board, county and city also voted in favor of the project.

3. ENSURING AN EFFECTIVE APPROACH

Ultimately, a strategy guiding the use of economic development incentives is only as good as its execution. And the effectiveness of execution depends upon monitoring regularly updated information for progress toward goals and longer-term outcomes.

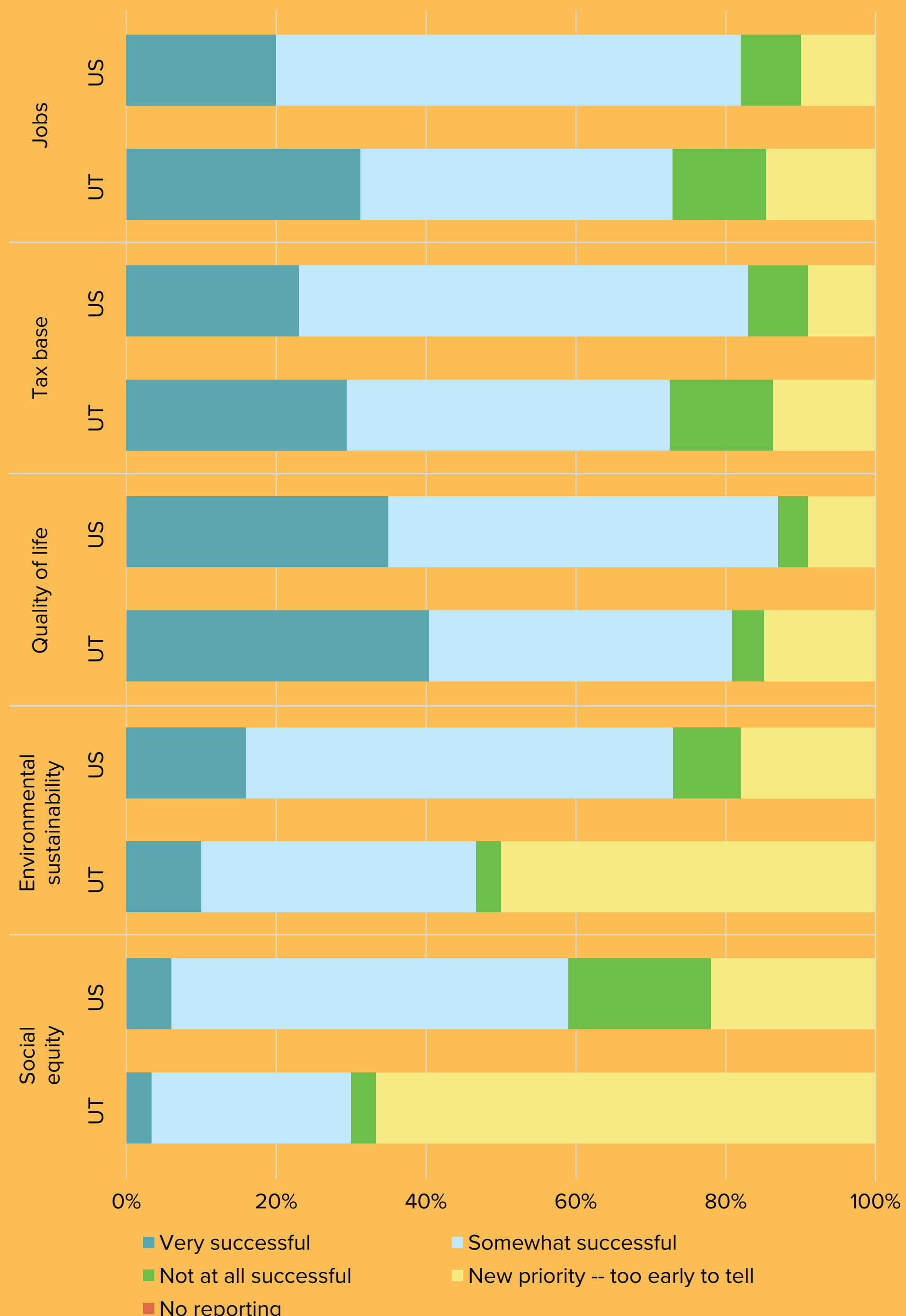
Most local economic development officials in Utah and nationwide report they are very successful or somewhat successful in reaching their goals concerning jobs, tax base and quality of life. Some local governments have also begun to include "environmental sustainability" and "social equity" as priorities, although Utah governments tended to report that it was too early to tell whether there were results in these categories. (See Figure 18.)

Measuring Success

The primary method of determining whether an action is successful is to measure its impact. While job creation and building a tax base have obvious metrics to analyze, finding metrics to determine the success of other goals such as quality of life, environmental sustainability or social equity could be more difficult. That does not mean it is impossible. Depending on the local governments' specific goals, possible metrics for quality of life could include the ratio of active transportation lane miles to centerline miles, rates of serious pedestrian or cyclist injuries, or open space per capita. Possible metrics for environmental sustainability could include acres of remediated brownfield, the share of funds spent on green stormwater remediation to total stormwater

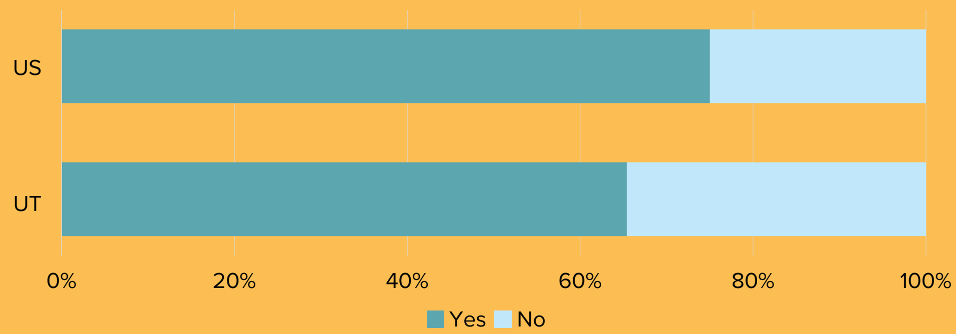
Most local economic development officials rate themselves as successful in improving jobs, tax base and quality of life.

Figure 18: Question – "Indicate the success level in reaching each goal." (In reference to the question in Figure 12.)



Most local economic development officials measure the effectiveness of their incentives.

Figure 19: Question – "Do you measure the effectiveness of business incentives?"



remediation, share of LEED-certified commercial buildings, or water conserved beyond a baseline. Possible metrics for social equity could include vulnerability to municipal hazards (i.e. a polluting industry), affordability of housing + transportation, or an increased number of fresh food outlets within walking distance of a lower-income residential area.

At the same time, there are costs associated with the measurement and tracking of outcomes. It would not be feasible to measure all of the impacts. Some impacts are less tangible, while indirect benefits can be scattered widely across a community. Cities and counties would have to determine the right balance of how many and which key metrics best help them understand whether they are meeting targets. But the general principle is, unless the outcomes of economic development projects and their incentives are measured, it will not be clear whether a local government is meeting its goals or not.

A smaller proportion of local economic development officials in Utah measure their success than those nationally. (See Figure 19.) Over one-third of local economic development officials in Utah are not measuring whether their incentives are helping them meet their goals. Cities and counties that did not evaluate effectiveness were neither more nor less likely to have awarded incentives in the past five years.

The better that cities and counties can measure the impact of their incentives, the better they can optimize the allocation of resources and build trust with citizens and cooperating local governments.

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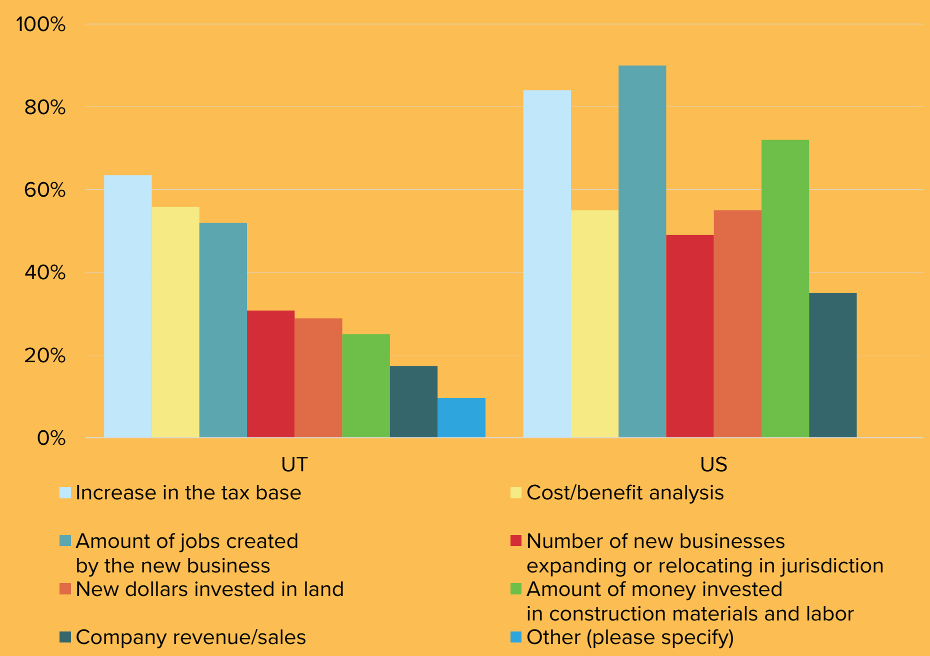
Utah's local economic development officials are less likely than their counterparts nationally to report using performance metrics to evaluate incentives.

Figure 20: Question – "Measures used for effectiveness of business incentives (select all applicable.)"



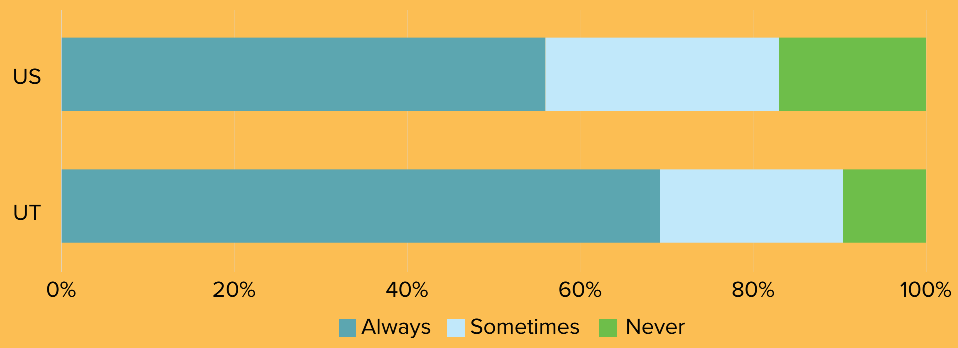
Some economic development officials point out that TIF incentives will be awarded only if they succeed in generating the promised revenue, but that overlooks the fact that local governments often have goals beyond building the tax base. This does not mean that local governments must quantify all the direct and ancillary benefits that incentives may bring. Rather, by finding ways to review whether their efforts are successful, they can determine which decisions are most effective and continue to improve their approach.

Local economic development officials that measure the impacts of their decisions can then determine which decisions best align with their strategy. Figure 20 shows a comparison of Utah and the U.S. in terms of the types of measures used. The greatest difference is in whether the local governments reported measuring the amount of money invested in construction materials and labor. However, if a local government's goal is to promote jobs, then assessing the amount of money invested in construction and labor is less than helpful in determining whether a local government's incentive awards are being effectively allocated.

State statute requires that TIF project areas annually report their progress in building the tax base. While the increase in the tax base was the most common measure used by local economic development officials, the survey results suggest that not all officials use this information in determining the effectiveness of their incentives.

Nearly all local economic development officials require performance agreements (at least some of the time) before paying incentives.

Figure 21: Question – "Do you require a performance agreement as a condition for providing business incentives?"



Enforcing Success

One way most local economic development officials ensure incentives are effective is to require a performance agreement with goals that must be met before incentives can be paid out. Compared to the national picture, a notably higher share (over two-thirds) of Utah local economic development officials always require performance agreements. (See Figure 21.) Those cities and counties that did not require performance agreements were not more or less likely to have awarded incentives in the past five years.

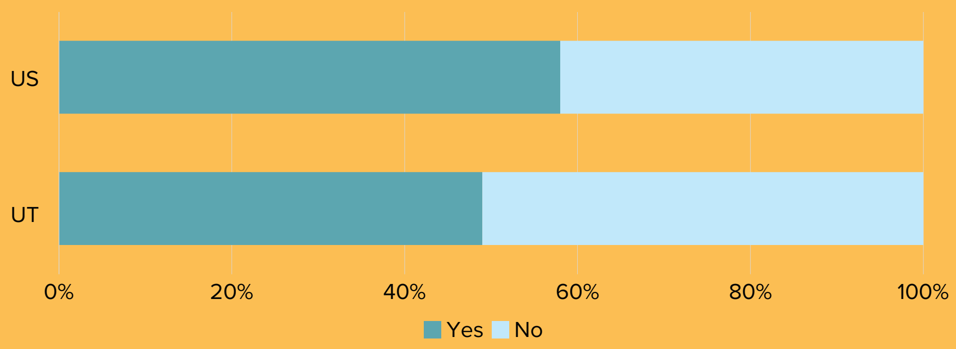
While the TIF agreements by their nature include performance measurements regarding tax revenue requirements, some local governments include additional performance requirements in their agreements, such as gross sales targets, employment thresholds or construction deadlines.

ENFORCING SUCCESS AND COOPERATING GOVERNMENTS

The lead local government in an economic incentive agreement can enforce agreements by holding funds until conditions are met. However, Utah's property tax structure limits the ability of coordinating local governments (those contributing to, but not spearheading the agreement) to do so. Utah's property tax rates are determined by the respective local government, be it a county, city or school district. The county, however, has the responsibility of assessing the value of local property, collecting the taxes and disbursing the collected revenues. When the county disburses earmarked increment funds, the county transfers the money directly to the leading local government (often a city's redevelopment agency), bypassing any cooperating local governments. This provides leading local governments the ability to withhold funds if they conclude the incentivized company has not met its requirements. Coordinating governments do not have this ability. While they craft their own interlocal agreements with the development authority, the disbursement of their funds to the development authority happens automatically. If coordinating governments find that the promises made by either the development agency or the incentivized entity are not being kept, they do not have the capacity to simply withhold funds, because the funds are typically sent to the development authority automatically. Accordingly, they can find their conditions much more difficult enforce.

Roughly half of local economic development officials have a way to retrieve funds if incentive awardees fail to live up to their promises.

Figure 22: Question – "Does your local government have an agreement in which companies are liable for paying back the value of incentives should they relocate or shut down during the course of the agreement (known as a clawback agreement)?"



The fact that Utah's local governments are more likely to require performance agreements than the national comparison is interesting in light of the fact that Utah local governments are less likely to measure the effectiveness of their outcomes. While the goals laid out in a local government's written plan are likely not the same as the benchmarks an entity must meet to qualify for an incentive, they would ideally be related. However, cities interested in ensuring the effectiveness of their incentive programs would analyze their own benchmarks as rigorously as they would the benchmarks of a company claiming an incentive.

Around half of local economic development officials, both in the U.S. and in Utah, report some sort of clawback agreement. (See Figure 22.) These agreements allow cities to reclaim funds if the incentivized companies do not produce the promised results. While not all cities have clawback agreements, several local economic development leaders clarified that when incentives are provided on a post-performance basis, the question of clawbacks may be moot because the benefits are not paid if the goals are not met. However, this is true only if performance relies solely on the valuation of the tax base – which it does in many, or perhaps even most, cases. But when performance agreements include additional conditions such as job levels, timelines or services provided, TIF incentives do not have the same inherent post-performance nature.

On rare occasions, cities and counties also award incentives using general funds. Because these incentives are awarded outside the TIF structure, they do not have the inherent property tax base post-performance structure. Specific post-performance and clawback agreements are much more needed when awarding incentives from general funds. Moreover, there may be cases where an incentive awardee shuts down or relocates before the completion of the agreement, though after the incentive has been partially paid out. In such cases, cities and counties without clawback agreements would have more limited opportunities to recoup their incentive awards.

4. PROMOTING EFFICIENCY

Among the trickiest aspects of any tax incentive program is to ensure its efficiency. The key to efficiency is ensuring that no incentives are provided unnecessarily and that, when incentives are provided, the public investment is minimized and the return on private investment is maximized. From the public's perspective, the stakes here can become high, striking at the heart of citizen trust in government: There is the danger of an unnecessary transfer of public resources to a favored private party. Additional complications can arise because these agreements can last for a prolonged period, well after the policymakers who approved the decision have left office.

When considering local incentives, getting the most for each public tax dollar that a local government spends or forgoes is a basic concern. But how the return on investment is realized depends upon each local government's incentive strategy. Some communities may use incentives to create affordable housing. Other communities may focus on promoting local retail opportunities. Still others want to create a commercial property tax base to ease the tax burden on residential property owners. Whatever a community's strategy may be, the ideal is to execute it with the smallest public investment possible.

There has been little net change in the dollar value of the average business incentive package offered in recent years. Utah mirrors the U.S. in that respect. (See Figure 23.)

Efficiency Tests

There are three primary tests that local governments can use to maximize efficiency going into a project.

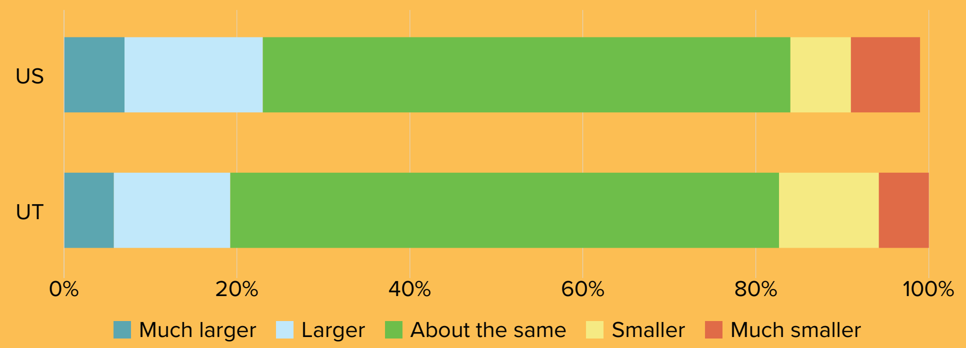
1. A but-for test ensures that a comparable result could not be achieved without governmental intervention.

2. A financial gap test ensures that that there is an actual financial need that cannot be filled by other investors or financiers.

3. A cost/benefit analysis ensures that the benefit for the local government is worth the cost of the incentive.

In both the U.S. and Utah, the average size of business incentive packages has remained steady in recent years.

Figure 23: Question – "Please indicate any change in the dollar value of the average business incentive package over the last five years."



Each of these tests ask a different question and each is necessary to effectively analyze proposed projects and ensure that the local government is getting the best result for the revenue it is spending.

As mentioned earlier, some incentives are awarded to make an existing or planned project better fit with the communities' development goals or provide a larger benefit to the public. These rigorous evaluation processes can help cities and counties maximize efficiency in these cases as well.

The But-For Test. When it comes to tax increment financing, the efficacy of the project is fundamentally linked to the rigor of the but-for analysis. An effective analysis depends on consideration of alternative development scenarios if the local government opted to not provide an incentive. However, in many cases, alternative scenarios are not considered. Instead, the incentives are justified by the argument "without an incentive, this *specific* project would not have occurred" – leaving open the possibility that alternative equally-beneficial economic development might have occurred at the site without public incentives. To the extent that a comparable project would occur within a reasonable time frame, a but-for test that does not consider alternatives could be, in a worst-case scenario, a waste of taxpayer funds.

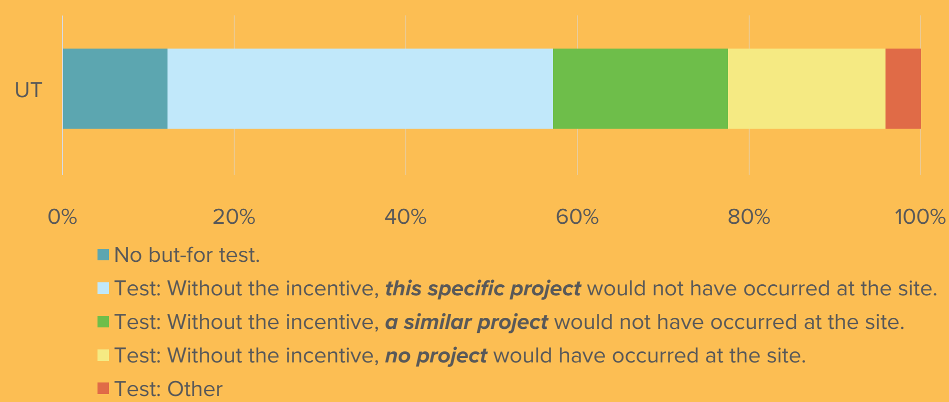
A but-for analysis gains additional rigor when a proposed project is compared against reasonable scenarios, only awarding an incentive if the specific project is substantially more beneficial than the reasonable alternative scenarios. Some local economic development officials may increase the rigor by awarding incentives only if no reasonable alternative scenario exists. Because each local government faces a different set of economic, fiscal and other circumstances, Utah Foundation cannot specifically define what a reasonable time frame or reasonable alternatives might look like. They will be different for each local government and the economic circumstances they face.

Past state statute required a but-for test for the creation of specific project areas. However, current statute to create community reinvestment areas does not require a but-for test.[18]

Utah Foundation found various approaches among local economic development professionals' but-for tests. Twelve percent of respondents indicated that they had no but-for test. Another 45% of respondents indicated that they approached the analysis with the view that "without the incentive, this specific project would not have occurred at the site." (See Figure 24.) To the degree that these analyses exclude a critical examination of reasonable alternatives, incentive awards may be granted to encourage a project that could happen without the public's investment – in about 57% of respondents' jurisdictions.

Most of Utah's local economic development officials typically use a but for-test, but about half use a less stringent test or have no but-for test at all.

Figure 24: Question – "Which of the following best describes any but/for test you have regarding economic incentives?"



More than 20% of respondents indicated that incentives were awarded only when proposed projects were more beneficial than reasonable alternative scenarios. More than 18% reported that they evaluated the incentivized action against any development, not just a comparable project, indicating an even higher level of exclusivity. The other 4% of respondents indicated that their but-for tests were based on whether public improvements would occur without an incentive, limiting the scope of their awards. Under the scope of but-for tests, these cities and counties – about 43% of respondents – require more stringent tests aimed at using their funds efficiently.

Different cities have different needs, and different levels of rigor may represent the different desires of local citizens. However, there can be practical challenges to but-for analyses as well. As noted earlier, no one can perfectly predict what would happen with an investment site over time with versus without an incentive. In some cases, project area land might be tied up by a developer, and reasonable likely alternatives may be limited. In such instances, but-for tests that ask if an alternative development will occur in a reasonable timeframe might instead end up looking more like a test of whether the specific development will happen at all. In many ways, it can be difficult to find how to quantify what-if scenarios. With that said, local economic development officials are more likely to efficiently use their funds when they critically consider reasonable alternatives to incentivized projects.

Financial Gap Analysis. There are times when economic developments hit a snag. There could be something specific about a site that poses an additional barrier – perhaps land remediation, demolition of existing buildings, or lack of appropriate infrastructure – that increases the cost to development on a specific site. One tool for addressing this is a financial gap analysis, which looks at specific costs and profit margins and determines the minimum amount needed to close the gap to make the project financially successful. It then would analyze whether those funds can be achieved through investors or loans. Only when a gap exists that cannot be filled from other investors would the local government consider moving forward with the incentive. In some ways, the financial gap analysis is a subset of a but-for test, but only addressing whether this specific project will happen without local governmental intervention.

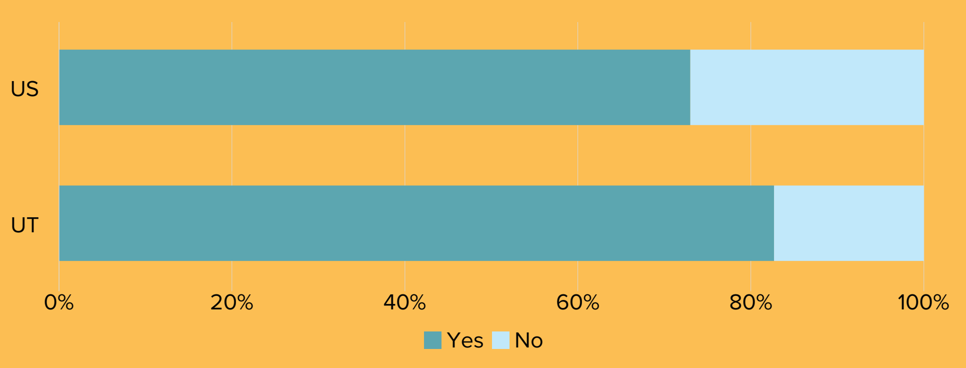
Cost/Benefit Analysis. Once the but-for and financial gap analyses have indicated that public funds may be required for a development to happen, the next question local economic development officials must answer is whether the proposed benefits are worth the costs.

The large majority of local economic development officials, both nationally and in Utah, perform cost-benefit analyses. (See Figure 25.) Those that did not perform cost/benefit analysis before offering business incentives were not any more or less likely to have issued a business incentive in the past five years.

While the large majority perform cost/benefit analy-

Nearly one-fifth of Utah's local economic development officials report providing business incentives without a cost/benefit analysis.

Figure 25: Question – "Do you perform a cost/benefit analysis prior to offering business incentives?"



SOLAR DEALS IN RURAL AREAS

As the demand for solar power has increased, power providers have been turning to large installations in rural counties. As part of these installations, power providers are requesting incentives. However, solar power generation facilities generally provide few jobs and have depreciation schedules that quickly lower personal property revenues. This means that once the TIF has expired, the benefits from additional property taxes have been sharply reduced, limiting the long-term benefit for local government. At the same time, these projects place very little strain on public resources, and even a few additional jobs in a rural community can be attractive.

ses, in Utah Foundation's discussions with local development leaders, it found that the type and rigor of such analyses varied by community and type of project. Types of analysis vary from back-of-the-napkin calculations to in-depth economic modeling. The analyses can be performed by local economic development professionals, by other municipal departments or by third parties, depending on the skills of local officials and the need for transparency, rigor or objectivity. These factors can also be influenced by city resources. Smaller cities may not have economic development departments or extensive experience using these analytical tests. Outcomes of these tests will also vary based on city characteristics and current economic trends. In sum, while most local economic development officials perform cost-benefit analyses, not all analyses are equal in depth or quality.

Though there is wide variation in these analyses, establishing a single standard would remove flexibility. Because incentivized projects differ widely based on location and city goals, a single standard might be too much analysis for some cases and not enough for others. But broadly speaking, local governments can ensure that they are using their public funds efficiently through rigorous analysis of whether incentives are actually needed, how much is actually needed, and if the promised benefits are worth the investment.

5. PROVIDING TRANSPARENCY

A key measure of the success of an economic development program is the extent to which it builds public trust. This requires local economic development officials to operate transparently and provide basic information on the benefits provided.

It should be remembered that TIF arrangements essentially represent allocations of future resources. As such, they should be assessed and monitored with the transparency and rigor expected of other long-term investments of future public revenue.

Collecting and making key information readily available to citizens and policymakers is therefore critical to ensuring oversight of and public confidence in such investments. This information is required for monitoring and analysis of incentives and their efficacy. Current state statute and national accounting standards include transparency requirements that affect reporting by both RDAs and local governments.

Reporting Requirements for RDAs

RDAs are required by Utah Code 17C to account for their economic development tax increment financing project areas. Historically, they have simply been required to publish an annual report. Much of what should be included in the report is dictated in state statute. Some cities offer more robust data. It does merit mention that these requirements have been changed several times in the past decade, which can increase the costs of compliance.

CASE STUDY: PAYPAL

PayPal forged a TIF arrangement in West Jordan in 2018 to relocate in a troubled property. While PayPal initially obscured its identity from the general public, it was willing to reveal itself to decision-makers. When the school district asked for internship opportunities and equipment donations, the company offered a donation to the school districts' foundation. Rather than asking for a large incentive amount, or for a lower initial tax revenue baseline, PayPal made a modest ask to help overcome the additional costs of redeveloping a problematic property for the city. As a result, the relevant local government approved the project without controversy.

PayPal relocated to the former Fairchild Semiconductor property.

In 2019, the Utah Legislature passed SB 56, requiring the creation of a publicly available centralized database collecting the key metrics required by the state.[19] This legislation followed publication of a Utah Foundation report that suggested such an approach.[20] This legislation increases the level of transparency regarding tax increment project areas. While the state requires many key metrics regarding TIF project areas, budgets and narratives, one key piece of information missing is the amount of money actually paid out to private companies as a financial incentive. Some cities and counties may report this information by choice in their annual reports or annual budgets. Utah Foundation's review of Utah's largest cities' RDAs and their associated annual reports and budget found the disclosure of this information to be uncommon. It should be noted that while the amount that local governments pay in financial incentives annually is a key metric, the state has not required the disclosure. However, it is a required disclosure for local governments under national accounting standards, as discussed in the following section.

RDAs also fulfill transparency requirements by conducting their business in public meetings. State statute further outlines a number of ways RDAs must publish and create opportunities for community feedback when creating project areas. An annual audit is also required, but it is only required to be shared with coordinating governments, the State Tax Commission, the State Board of Education and the county assessor. Annual budgets are approved in public meetings and published on the State Auditor's website.

In discussions with Utah Foundation, many cities stated that financial incentive award information was available in budget documents. Upon review, Utah Foun-

RETHINKING RURAL INCENTIVES

In 2020, the Utah Legislature passed new legislation that consolidated several existing programs and provides annual $200,000 grants for rural counties that create community economic development advisory boards. These counties could also receive additional funds through matching grants.* This provides local communities flexibility in designing their preferred programs.

* Utah Legislature, 2020 S.B. 95 Economic Development Amendments; Evan Vickers, 2020, "Senator Vickers recaps top issues from final legislative session," Iron County Today, 24 March, https://ironcountytoday.com/senator-vickers-recaps-top-issues-from-final-legislative-session-p1474-95.htm.

dation found that RDA budgets did not share a common formatting standard; they categorized revenues and expenditures in different ways, and often did not break out funding for infrastructure development for a project area and financial incentives awarded to a company for a project area. There is no state requirement or expectation for RDAs to do any of these things. However, it does illustrate the difficulty of trying to gather the data to critically understand how RDAs are using incentives in Utah.

While there are many ways RDAs are required to be transparent, there are some limitations. One limitation is with regard to sales tax increment financing. Current state law restricts disclosure regarding the amount of sales tax rebated to a specific company.[21] Even if the local economic development officials wanted to disclose this information, they could not.

Since 2018, state statute has required that RDA annual reports be published on the website of the associated community.[22] However, there are several instances where Utah Foundation could not locate the annual reports on agency websites. While public meeting records can be found on Utah's Public Notice website, data limitations on the state website frequently expire older files as new files are posted. There is a plan to restore the wider availability of these files, which is currently limited to requests from the state's technical support department. Public records are usually available on either the RDA's or the associated local government's website, but availability varies widely. One problem is that many of these incentive agreements were made years ago. Historical public meeting information is even less publicly accessible. In some cases, meeting agendas or recordings are posted but without supporting documents, such as budgets or participation agreements. In an effort toward transparency, Salt Lake County has created a database of TIF project areas and associated agreements for the county, making it available online to the public.[23]

As mentioned previously, many key metrics will be available in a statewide database beginning in 2021, which will increase transparency. Again, one key metric that will not be included is the amount RDAs pay to private entities annually. While RDAs are not required by the state to publish this information, national accounting standards do apply to local governments. Given that local governments will need to work closely with RDAs to report this information, it should not represent any additional burden for RDAs to also report this information.

Reporting Requirements for All Local Governments

All local governments have annual budgetary reporting requirements. State statute requires local governments to comply with standards set out by the national Governmental Standards Account Board (GASB). Cities and counties with a budget over $1 million are required to receive an annual audit to ensure the city or county Comprehensive Annual Fiscal Report (CAFR) complies with GASB standards. One standard, known as *GASB Statement No. 77, Tax Abatement Disclosures* requires local governments to report the taxes abated, which – based on the definitions in the statement and Utah Foundation's interviews with GASB personnel – apply to Utah's financial incentive awards.

While Utah does not offer any economic development incentives as abatements (where taxes are not collected), GASB's definition of abatement for financial reporting purposes casts a wider net that includes TIF-funded financial incentives.[24] It defines an abatement as an agreement were a local government forgoes revenue for a specific promise from an person or entity. The GASB definition aligns well with Utah statute, which requires entities to sign a participation agreement outlining their commitment and the amount of increment they will receive.

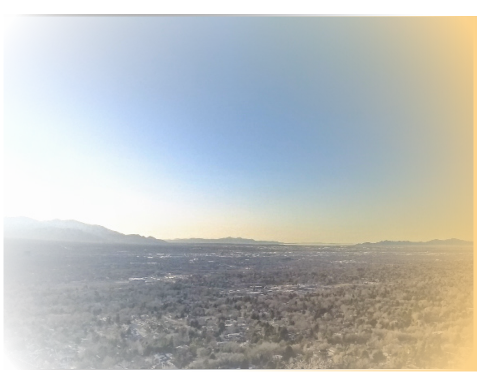
Some local governments have argued that they do not forgo revenues via TIF, because tax revenues increase. However, GASB's standard focuses on the agreement that outlines the revenues that will be paid to the entity.[25] Its implementation guidance also clarifies that it does not matter whether revenues increase overall, and provides an example that closely matched Utah's TIF-funded incentives, illustrating that, for the purposes of GASB financial reporting, TIF-funded incentives are forgone revenues and classify as "abatements."[26]

Other local governments pointed out that it was the RDA that signed the participation agreement, not the local government. GASB implementation guidance also clarifies that in these cases, local governments should still report the "abatements."[27]

GASB requires two different levels of detail, a higher level of detail for those that elect to participate in an incentive agreement, and a lower level of detail for those that lose revenues through the incentive agreement of another government. Utah Foundation confirmed in a series of interviews with GASB personnel that all local governments that entered into agreements with the RDA via interlocal agreements or the TEC process should report based on the higher level of detail. Local governments will have to work closely with RDAs to clarify what funds via TIF have gone toward financial payouts to private entities, as opposed to TIF funds that have built publicly-owned infrastructure, which are not classified as abatements.

It is not clear how many local governments in Utah are paying out financial incentives and consequently should be reporting such payouts in the CAFR. However, between Utah Foundation's survey, interviews with local officials, and review of CAFRs for cities, counties and school districts, there is strong evidence that financial reporting based on GASB 77 is not widely followed.

Survey results indicate that 80% of cities and counties have issued at least one incentive in the past five years. State Tax Commission records indicate that 67 cities, 17 counties and 26 school districts have collected taxes that were redirected to RDAs. However, only 14 cities, one county and no school districts



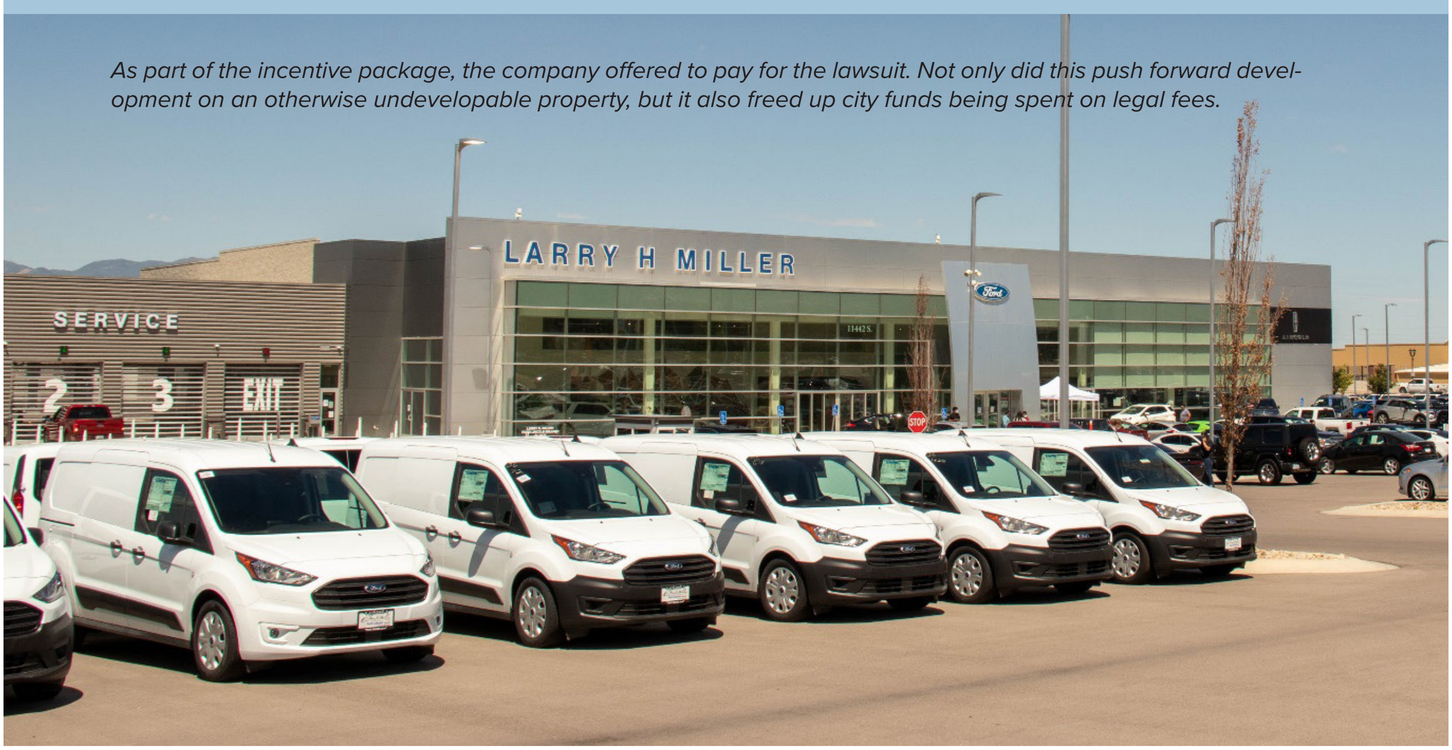
Between Utah Foundation's survey, interviews with local officials, and review of CAFRs for cities, counties and school districts, there is strong evidence that financial reporting based on GASB 77 is not widely followed.

reported abatements per the standards set out by GASB Statement 77. Utah Foundation cannot be sure how many should be reporting, because we have no access to data regarding how many of these local governments are currently paying out financial awards. However, it does seem likely that the GASB standard is widely misunderstood and cities, counties and school districts are not reporting as required. Utah Foundation did no analysis regarding special purpose governments.

Utah Foundation was able to identify several local governments that should have been reporting and were not and reached out to understand why they were not reporting incentive awards. The complete list of findings is included in the two memos sent to the State Auditor of Utah and summarized in the above explanation of how GASB Statement 77 applies to local governments in Utah. While the State Auditor is not responsible for auditing local government CAFRs, it does regularly issue Auditor Alerts to provide information to the private sector auditors that local governments regularly hire to audit their financial documents. Additional training for local governments could be provided through trade associations, such as the League of Cities and Towns, the Utah Association of Counties, the Utah School Superintendents Association, and the Utah Association of Special Districts.

CASE STUDY: FORD DEALERSHIP

Some point to the notion of car dealership incentives – luring car lots from one city to a neighboring one – as an example of the misuse of sales TIF, suggesting there is no net economic growth, just economic redistribution as sales move from one city to another. Sometimes, however, there's more to the story. In the case of a Larry H. Miller Ford dealership that moved from Sandy to Draper, the dealership was expanding beyond the space available in Sandy, and the Draper location was an otherwise undevelopable property held up in a court dispute. Initially, when Larry H. Miller Ford approached the city to discuss an incentive for relocating, Draper rejected the idea because the subject property was in the middle of a pending lawsuit. The company later returned, but as part of the incentive package, offered to pay for the lawsuit. Not only did this push forward development on an otherwise undevelopable property, but it also freed up city funds being spent on legal fees. Further, it brought in extra revenues to the city over time.



As part of the incentive package, the company offered to pay for the lawsuit. Not only did this push forward development on an otherwise undevelopable property, but it also freed up city funds being spent on legal fees.

Transparency regarding the public funds provided to private entities increases public oversight and could prevent the erosion of public trust.

Limitations of Available Data

When it comes to transparency regarding RDAs and requirements under Utah state statute 17C, most RDAs evaluated by Utah Foundation meet the state requirements, although there are some problems regarding availability of data. The upcoming state database will improve the transparency in both the availability of data and the ability to aggregate it. However, these changes do not affect the accessibility of other documents, such as participation agreements, or the ability to aggregate budget documents. While it may be sufficient for individuals concerned only about their community, it makes it harder to aggregate data to get a comprehensive view of local economic development and local incentives.

Regarding local governments, Utah Foundation cannot say for sure how many should be reporting, but based on the data collected via surveys, interviews, statewide TIF data and our review of local government CAFRs, there are likely not as many reporting as there should be.

While we can easily find the exact amount the State of Utah is paying private companies (the state's reporting is compliant with GASB Statement 77), it is impossible to come up with any reasonable estimate of the amount that local governments in Utah are paying to private companies.

Transparency regarding the public funds provided to private entities increases public oversight and could prevent the erosion of public trust. As stated in Utah Foundation's report on state incentives:

> "A case could be made that citizens are entitled to such information and that such transparency is a pre-requisite to accountability and public confidence in the program. It could also be argued that businesses benefiting from the tax credits should be willing to submit to thorough review as a quid pro quo for receiving public funds. Other states require such transparency.[28]"

There is a reasonable balance between transparency and government overreach. While the public might not need to know how the private entity spent its money, a much more basic fact is how much the private entity is actually receiving from the public. Increased transparency could also more easily prevent corruption or the inefficient use of public funds. A 2014 audit by Utah's State Auditor found problematic practices at the state level where awards were being given despite companies not completely complying with agreed upon standards.[29] (These problems have since been addressed.) However, increased transparency at the local government level could prevent similar problems or other inefficient uses of government funds.

CONCLUSION

For this report, Utah Foundation surveyed local economic development officials on their use of economic development incentives, with a specific focus on TIF incentives. We compared the results of the survey to the national picture. We conducted an in-depth review of CAFRs to determine local compliance with national accounting standards on incentives. We also analyzed whether local economic development officials were providing incentives in a manner that is strategic, coordinated, effective, efficient and transparent.

As this report has revealed, the results are a mixed bag.

In some respects, our local economic development officials are outperforming the nation at large in their stewardship of incentives. For instance, local economic development officials in Utah report that their local governments are more likely to have a written economic development plan than officials nationally.

In other areas, Utah's local governments appear to be falling short. Utah Foundation's analysis of the financial statements of Utah's counties, school districts and 140 of the largest cities found evidence of limited compliance with reporting standards for incentives set by the national Governmental Accounting Standards Board.

This report highlighted the fact that Utah cities and counties are much more likely than their counterparts nationally to rely on TIF to fund their economic development goals. Interestingly, while local economic development officials in Utah are far more likely to require performance agreements of incentive beneficiaries, they are less likely to measure the success of their incentive programs than officials nationally. Revenue-based performance agreements alone will have limited value in measuring success if local governments have goals beyond expanding the tax base. Finally, local economic development officials in Utah report lower levels of competition than officials nationally for economic development and tax base among local governments in their region. Interestingly, however, they also report lower levels of intergovernmental cooperation.

There are also important differences among local economic development officials within Utah. For instance, local economic development officials in Utah take a variety of analytical approaches – with significant variation in rigor – when evaluating whether an incentive investment is worthwhile.

Our findings raise interesting questions about strategy. Local economic development plans highlight the importance of job creation – as, indeed, virtually any economic development plan would. However, local economic development officials in Utah rarely require that jobs be filled by members of the community as a condition for providing an incentive. Local governments nationally rarely require it either.

The purpose of this report is neither to celebrate nor chastise local economic development officials for their approaches to economic development incentives. Rather, it is to provide critical context for policymakers to identify potential strengths and weaknesses – and highlight practices that may help them use incentives in a manner that is more strategic, coordinated, effective, efficient and transparent.

APPENDIX A: LETTER TO THE OFFICE OF THE UTAH STATE AUDITOR

July 2, 2020

To: Jeremy Walker, Office of the Utah State Auditor

CC: John Dougall, State Auditor

From: Christopher Collard, Research Analyst, Utah Foundation

Subject: Compliance of Local Governments with GASB 77

Utah Foundation is currently researching local government incentives. During the course of this research we reached out to the Office of the Utah State Auditor. This discussion prompted a review process in the Office of the Utah State Auditor. Utah Foundation wanted to provide some of its preliminary research and conclusions to perhaps provide a resource for this review process.

In its preliminary research, Utah Foundation found that only 15 of 140 cities, one county and no school districts have reported incentives based on GASB Statement 77. While not all local governments are currently awarding incentives, there are some indications that a larger share of governments should be reporting their incentives but are not. In a Utah Foundation survey of 52 cities and counties, 80% reported having awarded an incentive via property TIF in the past five years. These cities and counties that are awarding the incentives should be reporting incentive awards based on Statement 77, as should any participating counties, school districts and special purpose governments.

For the purpose of this discussion, Utah Foundation uses the word "abatements" as defined by GASB in Statement 77. Findings of non-compliance are based on Utah Foundation's reading of the statement and supplementary materials.

Utah Foundation identified a number of cities, school districts and counties that should have been reporting tax abatements but have not been doing so and reached out to these entities to get a better understanding of why that might be. Utah Foundation found that non-compliance stems from four issues:

1. Simple oversight
2. Misdefinition of abatement
3. Misdefinition of foregone revenues
4. The timing of the agreement

Among school districts, non-compliance appears to be related to guidance from the Office of the Utah State Auditor to school districts indicating that the TIF agreements they were participating in did not fall under the umbrella of Statement 77, but that they were required to report TIF pass-through expenditures. While reporting TIF pass-throughs is an important disclosure, it may be insufficient. TIF funds are sometimes used to finance public infrastructure or municipal bonds, not directly to provide incentives.

Utah Foundation considers it to be an important level of transparency to be able to determine the amount of public funds that are being directed toward incentives for private companies. Based on Utah Foundation's understanding of the applicability of Utah's standard property and sales TIF arrangements (explained in more detail below) in which incentives are awarded to private entities, school districts and other local districts should also be reporting in line with Statement 77.

Issue: Simple Oversight

The first problem is simple. Cities issue abatements with varying levels of frequency. City 1 reported that it issues abatements infrequently, and was not aware that the reporting requirements had changed since the city last issued abatements. The rule is still fairly new, only being required on 2017 CAFRs and newer. While understandable, Utah Foundation recommends that the Office of the Utah State Auditor highlight that the rule applies to Utah's local tax incentives.

Issue: Misdefinition of Abatement

In Utah, abatements – especially in reference to property taxes – generally refer to "Treasurer's Relief." It appears that since Statement 77 is titled "Tax Abatement Disclosures," many cities and other local governments may immediately disregard the statement based on the local understanding or even actual definition of the word "abatement." City 2 provided such an argument:

> "The agreement with _______ is a post-performance incentive agreement and not an abatement of taxes and therefore is not subject to GASB Statement 77 reporting requirement. … These payments are paid from property tax increment and earnings received by the RDA."

Utah Foundation's Reading:

Based on a plain reading of Statement 77, this appears to be a misunderstanding of how GASB defines "abatement":

> For financial reporting purposes, a tax abatement is defined as: A reduction in tax revenues that results from an agreement between one or more governments and an individual or entity. ...A transaction's substance, not its form or title, is a key factor in determining whether the transaction meets the definition of a tax abatement for the purposes of this Statement. **--(Statement 77, paragraph 4, on page 2)**

The appendix provides some good detail on what GASB considers to be the substance. **Statement 77, paragraph B3, on page 9** points out three key components of GASB tax abatements:

1. An agreement
2. Reduced tax revenues
3. A promised action

It would appear that the TIF financing paid to a developer or other private entity would meet these three requirements. Governments should be able to pay incentives to a developer or business only if they enter a participation agreement as outlined in **17C-1-409 (1)(a)(iii)(C)**. Participation agreements (defined in **17C-1-102(14)**) appear to have a similar definition to the agreement outlined by :

> 41) "Participation agreement" means a written agreement between a person and an agency that:
> (a) includes a description of:
> (i) the project area development that the person will undertake;
> (ii) the amount of project area funds the person may receive; and
> (iii) the terms and conditions under which the person may receive project area funds; and
> (b) is approved by resolution of the board.
>
> **---Title 17C – Limited Purpose Local Government Entities - Community Reinvestment Agency Act**

By contrast, TIF financing that is used to directly pay for or reimburse publicly-owned infrastructure or repay bonds would not meet these three requirements. (For clarification of how some TIF arrangements would not meet the requirements to be classified as abatements see **GASB Statement 77, paragraph B5 on page 10, GASB Implementation Guidance 2016, question 4.77, on page 21**, and **GASB Implementation Guidance 2018, question 4.6, on page 3.**)

Statement 77, paragraph B12, on page 13 points out that there are lots of different names for abatements (including refund, which is probably a better classification of what Utah specifically does), but pointed out that as these names vary from place to place its more important to focus on the substance.

There are also some clarifying examples provided in the GASB Implementation Guidance. One of the examples that seems to best align with Utah's TIF incentive structure is **GASB Implementation Guidance 2017, question 4.40, on page 12:**

> Although many tax abatements directly reduce the amount of taxes paid and do not involve the actual collection and return of taxes, the mechanism used to conduct the transaction is not relevant to determining whether a transaction meets the definition of an abatement. Therefore, the fact that the developer pays property taxes and subsequently receives amounts from the government related to the additional property tax revenues means that the government did, in substance, forgo tax revenues. **---GASB Implementation Guidance 2017, question 4.40, on page 12**

Issue: Misdefinition of Foregone Revenues

Utah Foundation has had discussion with two cities which claim revenues are not forgone. They had two different reasonings for this. City 3 based its conclusion on the fact that cities' redevelopment agencies are component units:

> "Since an RDA is tied to a city, a city does not forego anything (the funds are simply reclassified as RDA property taxes rather than General Fund property taxes)."

City 4 based its conclusion that revenues were not forgone on the fact that the city received tax revenues and then made regular expenditures when distributing funds back to private entities.

Utah Foundation's Reading:

City 3's conclusion seems to be based on an incomplete reading. GASB is clear that cities should report incentives even if they are working through a component government. While reporting requirements may be slightly different depending on whether component units are blended or discretely presented, in both cases cities are required to report foregone revenues. With regard to blended component units, **Statement 77 Appendix B** clarifies as follows:

> Information about tax abatements that are entered into by a primary government's blended component units and that reduce the primary government's tax revenues should be disclosed in the same manner as the primary government's own tax abatements. **---Statement 77, paragraph B48, on page 27**

When it comes to component units that are discretely presented, **Statement 77** explains as follows:

> Tax abatement agreements that are entered into by a government's discretely presented component units and that reduce the government's tax revenues should be disclosed according to the provisions of paragraph 7 if the 4 government concludes that the information is essential for fair presentation (based on the application of Statement No. 14, The Financial Reporting Entity, as amended). Otherwise, such tax abatements should be disclosed according to the provisions of paragraph 8. **---Statement 77, paragraph 10, on pages 4-5**

While the claim that revenues are not forgone because they are passed to a component unit is explicitly addressed in the statement, the claim that revenues are not foregone because they are collected and then funds are expended is not. However, based on a complete reading of the statement, appendices and available guidance implementation, it becomes clear that this is a misunderstanding of the statement. This conclusion is based on the following evidence:

1. **Statement 77, paragraph B9, on page 12** states, "Perhaps the most important feature of tax abatements, for the purposes of this Statement, is the existence of an agreement between the government and an individual or entity. Tax abatements (as defined in this Statement) result from an identifiable agreement between a government and a specific individual or entity. Tax abatement agreements consist of at least two components—a promise by the government to reduce the individual's or entity's taxes and a promise from the individual or entity to subsequently perform a certain beneficial action." In this explanation, Utah Foundation would like to highlight that TIF arrangements require a participation agreement, and such agreements specify the amount of funds the participant can receive and the terms under which they can receive them. These agreements reduce the individual or entities taxes via tax refunds.
2. **Statement 77, paragraph B8, on page 11** clarifies that tax revenues are the focus rather than abating fees.
3. **Statement 77, paragraph B12, on page 13:** "A variety of labels are used to identify tax reduction programs—exemptions, deductions, credits, rebates, and abatements foremost among them. These labels are used interchangeably to describe similar transactions; very different transactions also may be described using the same label. Consistent with other GASB pronouncements, the Board concluded that this Statement should focus on the substance of the transactions rather than on their form or label." GASB points out that different entities may have different terminology ***including "rebates."*** But because terminology can vary, the focus should be on the substance of the transactions.
4. In the examples provided in **Appendix D of Statement 77**, several of the programs listed as "rebates" or "refunds" are listed in three different programs, all of which are reported. See "The Office of Film and Television Production Incentives" on page 33, reported on page 37, the Renewable Energy Incentive on page 33-34, reported on page 38, and the REDC program on page 36 reported on page 39. These make it clear that rebates and refunds can be classified as abatements, even though the government may collect the revenues and subsequently disburse it.
5. **GASB Implementation Guidance 2017, question 4.40, on page 12** describes the typical Utah City Property TIF situation (of which City 4 has at least one) and determines that it still classifies as an abatement,

declaring, "Although many tax abatements directly reduce the amount of taxes paid and do not involve the actual collection and return of taxes, the mechanism used to conduct the transaction is not relevant to determining whether a transaction meets the definition of an abatement. Therefore, the fact that the developer pays property taxes and subsequently receives amounts from the government related to the additional property tax revenues means that the government did, in substance, forgo tax revenues." This declaration, although not in the actual statement, does make it clear that refunds and rebates do count in substance as foregone tax revenues.

Utah Foundation believes that, taken as a whole, the above sections of the appendix and implementation guidance make it clear that TIF arrangements where a government collects and then pays funds to private entities should qualify as abatements as defined by GASB.

Issue: The Timing of the Agreement

To differentiate between tax abatements and broad tax exemptions and deductions, GASB determined that a key part of the definition of abatement hinged on whether the agreement happened before or after performance and consideration (see **Statement 77, paragraph B11, on page 12**). In order for an tax expenditure to qualify as a tax abatement, the agreement needs to come before performance and consideration, otherwise it would be more similar to a tax deduction or exemption (see **Statement 77, paragraphs B2-B4, on pages 9-10**). City 5 understood the following:

> *"Utah Law prevents an agreement for an abatement of taxes until after performance which is excluded from this statement."*

Utah Foundation's Reading:

Based on Utah Foundation's reading, this is an incorrect understanding of both Utah law and Statement 77. First, Utah Foundation was unable to find any statute that required consideration to occur after performance. However, most if not all TIF arrangements probably require this in their participation agreements. Moreover, while consideration may come after performance, the participation agreement is required before consideration, as mentioned in an earlier section (see Utah statute **17C-1-409 (1)(a)(iii)(C)** and **17C-1-102(14)**). A question from **Implementation Guidance 2016, question 4.79, on page 22** clarifies the classification of abatement is irrespective of whether consideration comes before or after performance:

> The timing of the reduction in taxes in relation to the performance of the actions by the individual or entity is not relevant to determining whether an agreement meets the definition of a tax abatement for purposes of the Statement. The abatement of taxes may begin before or after the individual or entity has fulfilled its commitments under the agreement. --- **Implementation Guidance 2016, question 4.79, on page 22**

While Utah Foundation does not have the legal or accounting credentials of many others involved in this process, the language in the statement seems largely straightforward that TIF arrangements which provide incentives to private entities classify as tax abatements as defined by GASB in Statement 77. We have had discussions with employees of GASB that largely support our conclusions. However, we remain open to the fact that we may be overlooking segments of state statutes or misunderstanding terms that may have a specific legal or accounting definition beyond a layman's definition.

We look forward to hearing about your conclusions on Statement 77's applicability to local incentives awarded via TIF arrangements in Utah.

APPENDIX B: LETTER TO THE OFFICE OF THE UTAH STATE AUDITOR

After having conducted further research regarding GASB Statement 77, Utah Foundation thought it would be courteous to share further preliminary findings with the Utah Office of the State Auditor as it continues to research how Statement 77 applies to local governments in Utah.

Utah Foundation has confirmed that its conclusions are consistent with GASB interpretations on the issues raised in the memo dated July 2, 2020, and the issues addressed in this memo. This confirmation took place over a series of interviews with the GASB personnel primarily responsible for writing Statement 77.

In addition to the misunderstandings by local governments outlined in the first memo, Utah Foundation has had further discussions which have highlighted other misunderstandings. These include: a) the claim that TIF arrangements are not abatements as defined by Statement 77; b) whether the government should report when a development agency makes an agreement on its behalf; c) additional misunderstandings surrounding what classifies as "foregone" or "reduced" revenue; and d) whether local governments should report based on the level of detail outlined in paragraph 7 or paragraph 8 of Statement 77.

Issue: TIF Arrangements are not "Abatements."

A local government reported that based on its research, TIF arrangements do not qualify as abatements per GASB 77. They provided an analysis from the **Urban Institute** as a reference, citing its claim that "The definition of tax abatement does not include tax increment financing" (see page 5, 4th bullet point).

Utah Foundation's Conclusion:

Using the Urban Institute sentence as a definitive claim appears to take the sentence out of context. The Urban Institute wrote the sentence as one of the concerns recorded by individuals and entities providing feedback to the proposed statement. The Urban Institute is not saying that TIF arrangements are not tax abatements. Rather the Urban Institute is reporting that those providing feedback on the statement expressed concerns that TIF arrangements were not explicitly defined as tax abatements. Indeed, the rest of the paragraph points out that "GASB believes the broad language will include these taxes."

The paragraph that the Urban Institute refers to (**Statement 77, paragraph B5, on page 10**) makes it clear that TIF arrangements "may meet the definition of a tax abatement and, therefore, should be disclosed according to this Statement" when they include an agreement that matches the definition of an abatement. **GASB Implementation Guidance 2018, question 5.8 on page 6** reinforces this point:

> It should be noted that the name of the transaction is not relevant to the deamination of whether it is a tax abatement for financial reporting purposes. A transaction entitled *TIF, Payment in Lieu of Taxes, or as-of-right agreement*, for example, does not automatically include or exclude the transaction from the requirements of Statement 77.

A series of questions and answers from GASB Implementation Guidance from 2016 through 2018 regarding TIF arrangements and the circumstances in which they qualify as abatements for the purposes of Statement 77 is helpful. **GASB Implementation Guidance 2016, question 4.77, on page 21** and **2018, question 5.8, on page 6** set up a scenario where TIF funds are used to repay bonds. **GASB Implementation Guidance 2018, question 4.6, on page 3** set up a scenario where TIF funds were used to finance a government-owned building. **GASB Implementation Guidance 2017, question 4.40, on page 12** set up a scenario where TIF funds were used to incentivize a developer who had committed to stimulate economic growth. These implementation guidance documents clarify that when TIF funds are used for bond repayment or to finance government-owned property or infrastructure, they generally do not qualify as tax abatements for the purpose of Statement 77. However, there are also examples when TIF revenues are used in such a way that they do meet the GASB definitions of abatement.

Issue: Governments do not make agreements.

A county reported that it never makes agreements with private entities. Instead, it makes agreements with development agencies which in turn make the agreements with private entities. Therefore, the county argues that it does not need to report such agreements.

Utah Foundation's Conclusion:

For the purposes of reporting in GASB 77, it does not matter whether the government makes the agreement, or a legally separate development authority makes it on their behalf. **GASB Implementation 2017, question 4.41, on page 12** appears to directly address this issue:

> Q—A legally separate development authority has been authorized by a local government to enter into agreements with individuals and entities that result in the local government forgoing tax revenues. If those agreements meet the definition of a tax abatement in Statement 77, which entity's financial statements should include the required disclosures—the development authority, the local government, or both?
>
> A—The local government's financial statements should include the disclosures required by Statement 77. The development authority's financial statements should not include the disclosures because its tax revenues are not forgone.

Issue: Taxes are not foregone or reduced.

A local government claims that when it engages in TIF funded incentives, it gains rather than foregoes tax revenue. This is because the local government typically only rebates a portion of the increment. Because it keeps a percentage of the increment, it receives increased revenue from any growth in the property tax base. TIF deals entered into therefore do not reduce but increase its revenues.

Utah Foundation's Conclusion:

For many local governments, the applicability of GASB 77 hinges on this concept of "foregone revenues." Statement 77's definition **(paragraph 4, on page 2)** is conditional on the government foregoing tax revenues. The inclusion of whether governments report on agreements which are made by other governments specifies "reduced" tax revenues **(paragraph 8 on page 4)**. The applicability of **GASB Implementation Guidance 2017, question 4.41, on page 12**, hinges on whether the agreement results in the government "foregoing" tax revenues. Utah Foundation already addressed the differing ways some local governments have chosen to define "foregone revenues" in its previous memo, and why it concludes that Utah's local incentives financed via TIF generally should be considered as foregone revenues. As it this issue continues to be a consistent sticking point for some local governments, Utah Foundation wanted to highlight some previous points as well as include some new points.

While foregone revenues are not explicitly defined in GASB 77, there are clarifications in the appendix of the statement and in the implementation guidance.

1. **Agreements are the key feature to whether an abatement exists.**

   Statement 77, paragraph B9, on page 12 states, "Perhaps the most important feature of tax abatements, for the purposes of this Statement, is the existence of an agreement between the government and an individual or entity."

   Each time an incentive is awarded from a local government via TIF funds, the recipient is required by state statute (**17C-1-409 (1)(a)(iii)(C)**) to be part of a participation agreement.

2. **Agreements are defined by reduced or foregone revenues in return for a certain beneficial action.**

   Statement 77, paragraph B9, on page 12 states, "Tax abatements (as defined in this Statement) result from an identifiable agreement between a government and a specific individual or entity. Tax abatement agreements consist of at least two components—a promise by the government to reduce the individual's or entity's taxes and a promise from the individual or entity to subsequently perform a certain beneficial action."
   State statute (**17C-1-102(14)**) requires participation agreements to include "the project area development that the person will undertake, the amount of project area funds the person may receive; and the terms and conditions under which the person may receive project area funds."
   The participation agreement identifies a set amount of project funds. Those funds represent foregone revenues or a reduction the entity's taxes via tax rebate.

3. **Tax rebates can qualify as foregone or reduced taxes.**

   [Statement 77, paragraph B12, on page 13](#) reads "A variety of labels are used to identify tax reduction programs—exemptions, deductions, credits, rebates, and abatements foremost among them. These labels are used interchangeably to describe similar transactions; very different transactions also may be described using the same label. Consistent with other GASB pronouncements, the Board concluded that this Statement should focus on the substance of the transactions rather than on their form or label."
   Not only are rebates explicitly mentioned as a possible tax reduction program, but a 50% tax abatement and a 50% tax rebate have fundamentally the same impact on a local government's finances. Whether the government just does not bother to collect the money, or collects it, shuffles it through several accounts, and then gives it back to the original payer, the governments revenue is reduced by the same amount. Since GASB states that the focus should be "on the substance of the transactions rather than on their form or label," it seems clear that tax rebates can qualify as reduced or foregone taxes.

4. **Putting it together: An agreement to pay an incentive to an entity by reducing tax revenue via TIF qualifies as 'foregone' or 'reduced' revenues.**

   GASB Implementation Guidance 2017, [question 4.40, on page 12](#) outlined the following situation: "A local government enters into an agreement with a real estate developer for the purpose of stimulating economic growth. Under the terms of the agreement, (a) the developer will construct a building; (b) a baseline for property tax revenues for the specific geographic area in which the building will be constructed will be established prior to the start of the project; and (c) the developer will receive an amount from the additional property tax revenues above the baseline, based on certain costs incurred by the developer related only to the developer's building."
   This situation generally matches a majority of Utah's TIF funded local incentive awards, although sometimes details might vary. Broadly speaking a developer or other entity makes a promise to stimulate economic growth as well as increase the property tax base. Sometimes additional conditions may be stipulated. Common conditions include new jobs, a timeline of new investment or perhaps a specific investment. When it is sales tax, the entity similarly promises to increase the sales tax base and receives a portion of the amount above the baseline. Under these circumstances, GASB concludes that the agreement should be reported based on GASB 77. The response to the question clarifies the following:

   a. **"Amounts from additional property tax revenues above the baseline" qualify as foregone revenues.**
      GASB Implementation Guidance 2017, [question 4.40, on page 12](#): "[T]he government is forgoing tax revenues to which it is otherwise entitled by providing some or all of the additional property tax revenues above the baseline to the developer."
      In this question and answer, GASB directly equates an entity receiving "an amount from the additional property tax revenues above the baseline" to the local government "forgoing tax revenues to which it is otherwise entitled." This makes it quite clear that incentives funded via TIF can qualify as foregone revenues.

   b. **Tax refunds or rebates via TIF qualify as tax abatements for the purposes of Statement 77.**
      GASB Implementation Guidance 2017, [question 4.40, on page 12](#): "Although many tax abatements directly reduce the amount of taxes paid and do not involve the actual collection and return of taxes, the mechanism used to conduct the transaction is not relevant to determining whether a transaction meets the definition of an abatement. Therefore, the fact that the developer pays property taxes and subsequently receives amounts from the government related to the additional property tax revenues means that the government did, in substance, forgo tax revenues."

      This further clarifies that the primary method in which local governments in Utah fund local incentives qualifies as an abatement for the purposes of Statement 77.

5. **Overall tax revenues could remain the same or even increase, and you can still have foregone revenue.**

   GASB Implementation Guidance 2017, [question 4.39, on page 11](#) outlines a case where local governments are able to make up foregone revenue by taxing others not subject to the agreement. Because there is an agreement that promises reduced tax liability, the agreement still applies to GASB 77, even though total tax revenues are not reduced. It concludes "To qualify as a tax abatement agreement that is subject to Statement 77, it is not necessary that the government forgo tax revenue in the aggregate."

6. **The focus should be on the amount in the agreement.**

   a. **GASB Implementation Guidance 2018, question 4.9, on page 3** outlines a TIF funded situation where a developer receives more back than just the tax revenues generated directly by the developer's own property (using property tax revenues from other properties in the project area). The amount reported should be the amount specified in the agreement, even if it includes tax revenue generated from other property owners.

   b. **GASB Implementation Guidance 2019, question 4.12, on page 5** outlines a situation where there are multiple possible programs. If the entity did not make one agreement, they would still not pay full liability because of an alternative agreement opportunity. GASB determines that the amount reported should be the difference between full liability and the liability outlined in the agreement.

Issue: Should Utah's local governments report as outlined by paragraph 7 or paragraph 8?

Statement 77 requires more detailed reporting from governments that enter into an agreement (outlined in paragraph 7) than governments were taxes are reduced by agreements made by other governments (outlined in paragraph 8).

The majority of TIF agreements in Utah are made by redevelopment agencies that are component units of cities. Since the cities and their redevelopment agencies are driving the deal it seems clear that they should be reporting under paragraph 7. But what about other local governments (counties, school districts and special-purpose governments)? There is further complication based on the fact that Utah has historically had different ways of how local governments became involved in TIF agreements. Under current legislation, all local governments get involved through individual interlocal agreements with the development authority. Previously, state statue allowed the creation of a Taxing Entity Committee (TEC) appointed by the various local governments that taxed the prospective project area. If the TEC, by supermajority vote, supported the projected, then all the local governments were obliged to participate.

Utah Foundation's Conclusion:

Initially, Utah Foundation assumed that other local governments that coordinated with but were not the primary drivers of the project would report under the level of detail outlined in paragraph 8. However, it appears this initial conclusion was incorrect.

Interlocal Agreements

When individual interlocal agreements are negotiated between the development authority and each individual local government, Statement 77 seems to indicate that all local governments should report based on level of detail outlined in paragraph 7. During the creation of these interlocal agreements, the local government and development authority negotiate the terms of the agreement. Primary terms resolve around what share of the increment to contribute, how long to contribute, and if there is a valuation or contribution maximum. However, more specific terms are often negotiated by counties and school districts.

Under these circumstances, individual interlocal agreements are negotiated with each participating local government and no government that does not negotiate an agreement is affected by the other interlocal agreements. It therefore seems that all participating governments best fit the qualifications of paragraph 7 ("Governments should disclose … the following information related to tax abatement agreements that they enter into…") rather than paragraph 8 ("Governments should disclose … the following information related to tax abatement agreements that are entered into by other governments and that reduce the reporting government's tax revenues…").

This is further reinforced by the situation outlined in **GASB Implementation Guidance 2017, question 4.41, on page 12,** which (as outlined above) states that governments should include disclosures required by Statement 77 when "A legally separate development authority has been authorized by a local government to enter into agreements with individuals and entities that result in the local government forgoing tax revenues."

Taxing Entity Committee

The use of a committee to determine whether all local governments would participate in a project area poses an interesting question. Are these agreements made by the governments involved because each has a say in the agreement? Or are these agreements made by other governments, because representatives of a local government might vote against a project but their revenues could be reduced anyway? In discussing these circumstances with GASB personnel, they indicated that because these governments are an active part of the decision making and have assented to the process, they should be reporting based on the level of detail outlined in paragraph 7.

Conclusion

This memo concludes that:

1. Utah's financial incentives funded via TIF qualify as abatements for the reporting purposes of Statement 77.
2. A government should report agreements when a development agency makes a qualifying agreement on its behalf.
3. Although overall revenues may increase, incentives funded via TIF still have "foregone" or "reduced" revenue as defined by GASB.
4. Utah's local governments should report based on the level of detail outlined in paragraph 7 of Statement 77.

These conclusions are a result of Utah Foundation's reading of GASB Statement 77 and applicable implementation guidance from 2016 through 2019. Utah Foundation confirmed its conclusions with GASB researchers responsible for writing GASB Statement 77 in a series of interviews. Utah Foundation's research on this issue is ongoing. We will keep you apprised of further developments and would be happy to discuss any of the issues herein.

Thank you for taking the time to read our assessment of GASB Statement 77.

APPENDIX C: COMMENT ON AUDITOR ALERT OF UTAH OFFICE OF THE STATE AUDITOR.

As a result of Utah Foundation highlighting this issue, the State Auditor's Office decided to issue an Auditor Alert. The office provided a draft alert which is attached below. Utah Foundation commented on the draft in the following attached memo.

Comment Period: To make our publications accurate and useful to our intended audience, we invite individuals who work for and with local government entities to read this draft and provide comments. The comment period will last 30 days. Comments should be submitted to Seth Oveson at soveson@utah.gov by November 6, 2020.

OFFICE OF THE STATE AUDITOR

Auditor Alert 2020-04 Draft

Date: October 6, 2020

Subject: Tax Abatement Disclosures and Foregone Revenue (GASB 77)

Overview

The Office of the State Auditor (Office) has previously provided guidance on recognizing revenue from a levy imposed by a governmental body but paid directly to other agencies in Auditor Alert 2014-3. After the issuance of Auditor Alert 2014-3, GASB 77 created additional disclosure requirements for reporting periods beginning after December 15, 2015. It appears that many local governments have not been disclosing foregone revenues as required by GASB 77. This alert seeks to highlight the requirements of this pronouncement and provide some practical examples.

Criteria

A government body is subject to the disclosure requirements of GASB 77 only when both the following conditions exist (see decision tree below):

1. A government, or a redevelopment agency in which the government participates, has an agreement with a corporation.
2. The agreement contains any of the following provisions:
    a. Foregone revenue is used to pay for all or part of an asset that will be owned by the corporation.
    b. Direct payment of foregone revenue to the corporation or their creditor.
    c. The government or redevelopment agency provides a guarantee of the corporation's debt.

Disclosure Requirements

GASB 77 requires the following where applicable:

1. Disclosure by the government entering the agreement
    a. Brief descriptive information, such as the revenue being forgone, the authority under which foregone revenue is provided, eligibility criteria, the mechanism by which revenue is forgone, provisions for recapturing foregone revenue, and the types of commitments made by forgone revenue recipients
    b. The gross dollar amount of foregone revenue during the period
    c. Commitments made by the government, other than to forego revenue, as part of the agreement.
2. Disclosure by governments foregoing revenue, but not a direct party to a development agreement
    a. The names of the governments that entered into the agreements
    b. The specific revenue being foregone
    c. The gross dollar amount of revenue foregone during the period.

Conclusion

Participation in a redevelopment agency does not automatically trigger GASB 77 reporting requirements. However, if a redevelopment agency has an agreement with a corporation that meets the GASB definition of foregone revenue, the redevelopment agency and any participating governments (counties, cities, school districts, etc.) must make the required disclosures.

Resources

See GASB 77 and GASB Implementation Guide 2017 for definitions, terms, and additional guidance.

Sample Disclosure Notes

EXAMPLE – Tax Abatements

XYZ School District participates in redevelopment activities that qualify as tax abatements, according to GASB 77 through ABC Redevelopment Agency. The purpose of the agency is to evaluate proposed development projects. The most common method of assisting a redevelopment project is by providing tax increment financing. For a complete accounting of increment financing arrangements, contact ABC Redevelopment Agency at XXX-XXX-XXXX. Existing agreements to provide tax increment extend through 20XX.

Amount paid to ABC Redevelopment Agency by year as Tax Increment

2017	$XX,XXX
2018	$XX,XXX
2019	$XX,XXX
2020	$XX,XXX
2021 (Projected)	$XX,XXX

EXAMPLE - Tax Abatements

Smile City entered into an agreement with Gigantica Inc on May 1, 20XX, regarding the development know as *Awesome Job Providing Development*. As part of this agreement, tax increment financing from sales tax will be used to recover the cost of infrastructure that will be owned by the city. In addition to the cost of infrastructure, Gigantica Inc will receive $X,XXX for each full-time employee at the end of the five year period of time from the date of the agreement. The tax increment funds are held by the ABC Redevelopment Agency. Contact them at XXX-XXX-XXXX for more information.

Amount paid to ABC Redevelopment Agency by year as Tax Increment

2017	$XX,XXX
2018	$XX,XXX
2019	$XX,XXX
2020	$XX,XXX
2021 (Projected)	$XX,XXX

EXAMPLE – Fee Waiver

Sample City entered into an agreement with Big Box Inc on May 1, 20XX, regarding the development know as *Amazing Development*. As part of this agreement, Bix Box agreed to build a retail store within Sample City limits, providing access to needed shopping opportunities for city residents, and limiting congestion and pollution on the highway connecting Sample City to other metropolitan areas. Sample City agreed to waive the standard planning and zoning fees as well as the utility bill for the development for the first three years which should include the construction phase and the first few months of operations.

Amount of foregone revenue as a result of the agreement with Big Box Inc.

2017	$XX,XXX
2018	$XX,XXX
2019	$XX,XXX
2020	$XX,XXX

EXAMPLE - Tax Abatements

ABC Redevelopment Agency currently manages five project areas and at times enters into agreements with developers that result in a GASB 77 disclosure requirement for tax abatements and foregone revenue.

Wacky Wednesday is the anchor tenant for the retail shopping center located at 1234 N 5678 West. As a condition of creating the retail shopping center and being the main tenant Wacky Wednesday was granted 50% of the property tax increment generated on the developed land for a period of ten years beginning on January 1, 2015. At the end of the agreement the incremental tax will be paid directly to the taxing entities that participated in the project area agreement (Bright Thinkers School District, Beehive County, Thirsty Water Improvement District and Smile City).

Industrial Park Inc. is the developer of the industrial park located at 456 S 987 E in Sample City. As part of the development agreement entered into on June 30, 2027 Industrial Park Inc receives 90% of the tax increment generated from the park up to $10,000,000 to recover the costs borne by the developer to bring in utilities and roads which are now owned by Sample City.

Mr. Developer A received a pass through brownfields grant to evaluate and remediate a commercial property located at 159 N 753 W in Sample City. The federal brownfields grant is administered by Beehive County and is in the amount of $500,000 the estimated remediation cost of this project is $750,000. The Agency determined that it was in the best interest of the public to provide tax increment financing as a mechanism to finish funding the project and revitalize the down town area. The agreement was entered into on July 1, 2018. 100% of the tax increment from the property owned by Mr. Developer A will be paid to the developer up to $250,000 or the project area expires on June 30, 2023.

Amount paid to ABC Redevelopment Agency by year as Tax Increment

Developer	**Tax Type**	**Eligibility**	**Mechanism**	**Amount**	**Other Commitments**	**Timeline**
Wacky Wednesday	Property Tax	Board Determined	TIF	XX,XXX	None	TIF ends Dec 31, 2025
Industrial Park Inc.	Property Tax	Board Determined	TIF	XX,XXX	Sample City Sales Tax	Expires June 30, 2027
Mr. Developer A	Property Tax	Brownfields Grant	Federal Grant & TIF	XX,XXX	None	Expires June 30, 2023

Utah Foundation's Response:

October 1, 2020

To: Jeremy Walker, Utah Office of the State Auditor

CC: Seth Oveson, Utah Office of the State Auditor

From: Christopher Collard, Research Analyst, Utah Foundation

Subject: GASB 77 Auditor Alert

Utah Foundation appreciates to opportunity to review the Auditor Alert regarding GASB Statement 77. Utah Foundation has identified two areas of concern, a few clarifications that would greatly benefit the alert, a question regarding further research, some minor points of interest, and possible suggestions for more comprehensive examples.

Areas of Concern

Utah Foundation would like to clarify two specific points based on its research of the statement and interviews with GASB. While the Auditor Alert does not specifically address these points, we feel that it would be helpful to reiterate the points based on the framing of the examples in the Alert. They are: 1) whether redevelopment agencies (RDAs) report based on GASB 77, and 2) the level of detail local governments are required to report.

RDAs Reporting on GASB 77

The final example of the Auditor Alert indicates that an RDA should report on foregone revenues. However, RDAs in Utah are component units of cities and counties. GASB Statement 77, paragraph B48, on page 27 states that blended component units should be disclosed in the same manner as the primary government's own tax abatements. GASB Implementation Guidance 2017, question 4.41, on page 12 clarifies that if a development authority (such as an RDA) is authorized by a local government to make qualifying agreements, the local government should include the disclosures, not the development authority.

Local Governments' Level of Disclosure Detail

Examples of reporting appear to indicate that local governments should be reporting based on paragraph 8. GASB Statement 77, paragraph 7 applies to local governments' disclosures on "agreements that they enter into." GASB Statement 77, paragraph 8 applies to local governments' disclosures on "agreements that are entered into by other governments and that reduce the reporting government's tax revenues." In most, if not all cases, Utah local governments should be reporting on the more detailed method outlined in paragraph 7, because all local governments choose whether to participate in incentive agreements. Current state statute does not allow one local government to make a TIF project area decision that would redirect revenue from another local government. The only way a local government can transfer funds to an RDA is if the local government's decision-making body *chooses* to do so.

The following example illustrates the active role of local governments choosing to be involved. Districts often bargain with both the RDA and through the RDA with the incentive awardee. They negotiate time or revenue caps, a company's contribution to a school foundation, the provision of internships, the amount housing as a component of the project area, and many other factors. These are not the actions of a local government whose revenue is reduced by the decisions of other local governments, but the actions of a local government choosing to enter into an agreement. This makes most, if not all, local governments subject to paragraph 7, not paragraph 8. Even under the Taxing Entity Committee, because the local governments agree to be a part of the decision making process by electing representatives, governments are not being affected by the actions of others, but are choosing whether foregoing revenue is the right choice for those they represent.

Furthermore, GASB implementation guidance 2017, paragraph 4.41, on page 12, makes it clear that whether the local government directly makes an agreement or a development authority (RDA) makes it on their behalf, it is up to the local government to report the agreement on their financial statements. Because these local government chose to participate, they fall under the level of detail specified in paragraph 7.

Terms Local Governments Commonly Misunderstand

Utah Foundation identified two terms used in the Auditor Alert that were not commonly understood when interviewing local governments. These terms are "tax increment" and "foregone revenues." There also a few small clarifications that might make local governments more likely to realize the statement applies to them.

"Tax Increment"

Tax increment, as used in the examples in the Auditor Alert, does not include the entire increment transferred from local governments to RDAs, but just the fraction of the increment involved in the applicable agreements as outlined in the criteria in the beginning of the statement. Perhaps "abatements" or "foregone revenues" or "qualifying foregone revenues" may help prevent confusion regarding what is to be reported.

"Foregone Revenues"

Foregone revenues are not well defined in GASB Statement 77. Some local governments Utah Foundation interviewed have interpreted foregone revenues differently. One city argued that their incentives were expenditures, not foregone revenues, because taxes were collected and transferred to a different city department, suggesting that they were merely expenditures of the city's component unit (the RDA). Another argued that because they were only paying 50% of the increment in the direct financial award, they were not foregoing revenue, but were in fact gaining revenue. Another claimed they were not foregoing revenue because without the incentive, there would not be any revenue generated.

It may be helpful to clarify in this document that when increment funds are used based on the criteria outlined, GASB generally considers them foregone revenues for the purpose of financial reporting.

Applicability of Statement

Local governments may be more likely to realize GASB applies to them if Auditor Alert had "with which" in place of "in which" in the first point of the criteria, and "Participation with" in place of "Participation in" and included "special purpose districts" along with counties, cities, and school districts in the conclusion's last sentence.

Items that may need further investigation

In Statement 77, paragraph B8 on page 11, GASB differentiates between exchange transactions and non-exchange transactions. GASB implies only non-exchange transactions qualify as tax abatements. To the degree that fee waivers are exchange transactions, they may not need to be reported.

Minor Points of Interest

The examples of the Auditor Alert provide more disclosure than required (and perhaps in one case, less). While the Utah Foundation applauds higher levels of transparency, we thought it useful to highlight these differences.

1. "Authority under which agreements are entered into" is one of the requirements (GASB Statement 77, paragraph 7a(3). None of the examples have any obvious reference to Utah Code 17C. It might be helpful as an example to local districts
2. "Existing Agreement … extend through 20XX" and "Timeline" column: The timeline/expiration of the agreement is not necessary. See GASB Statement 77, paragraph B36, on page 22.
3. Reporting years spanning 2017-2021: Local governments are only required to report the tax abatement for the current reporting period. See GASB Statement 77, paragraph B32, on page 20.
4. Each individual agreement is itemized: GASB Statement 77, paragraph 5b, on page 2, allows incentive awards to be summarized by program. Local governments can, but are not required to, report on each individual agreement.

5. Each awardee is identified: GASB Statement 77, paragraph B30, on page 19-20, clarifies that because listing each awardee would limit aggregation, the name of the awardee is not required.
6. Beehive County: The city/RDA does not need to report on county disbursements (unless this example is actually a county/RDA). In addition, if grants are appropriated from the general fund, they would not classify as tax abatements
7. Industrial Park Inc.: This example does not meet the qualification of abatements because the city ends up owing the infrastructure.

Possibilities to Make Examples Cover More Circumstances

Multiple RDAs

Some school districts, counties, and special purpose governments will be involved with multiple RDAs. It might be helpful to show an example of what that might look like.

Sales and Property TIF

Since cities can use property and sales TIF, it might be helpful to have an example displaying both.

Infrastructure

Requirements regarding the infrastructure commitments associated with an incentive award are minimal, but it in the example might be useful to identify what the infrastructure investments are targeting in the example (i.e., utilities, surface parking, surface accessibility, structured parking, freeway interchange, etc.).

Again, Utah Foundation appreciates the opportunity to review the Auditor Alert and is grateful that this important issue is being addressed by the state.

ENDNOTES

1 ICMA Survey Research, 2014, “Economic Development 2014 Survey Results,” *International City Managers Association,* https://icma.org/sites/default/files/306723_Economic Development 2014 Survey Results for website.pdf.

2 ICMA Survey Research, 2014, “Economic Development 2014 Survey Results,” *International City Managers Association,* https://icma.org/sites/default/files/306723_Economic Development 2014 Survey Results for website.pdf.

3 It is unclear why Utah cities and counties listed sales taxes. While sales tax revenues are often used to support economic development, those funds are funneled through either the local government’s general fund, or a TIF structure, both of which are other options. It seems most likely that many cities and counties selected this option in addition to also selecting TIF or their general fund.

4 Utah Foundation, 2020, EDTIF elevated? Utah’s Evolving State Incentive Program, January 2020, www.utahfoundation.org/uploads/rr773.pdf.

5 According to the Council of Development Finance Agencies, only 16 states allow sales TIF. Council of Development Finance Agencies, “Tax Increment Finance State-By-State Report: An Analysis of Trends in State TIF Statutes,” 2015, p. 6.

6 Utah State Statute § 17C-1-404 and § 17C-1-102(2).

7 Utah State Statute § 17C.

8 Utah State Statute § 17C.

9 Utah Department of Workforce Services, 2018 data, “Real Gross Domestic Product by region,” https://jobs.utah.gov/wi/data/library/other/realgdp.html.

10 U.S. Census, data gathered from https://onthemap.ces.census.gov/.

11 Multiple school districts spoke about the influential role of the Utah Taxpayers Association, which released a May 2020 newsletter highlighting a recent TIF agreement in Tooele and its lobbying efforts against the deal. Stephenson, Howard, 2020, “My corner: Tax increment financing: Stealing from Utah school kids?” *Utah Taxpayer’s Association,* https://utahtaxpayers.org/my-corner-tax-increment-financing-stealing-from-utah-school-kids/.

12 Utah Governor’s Office of Economic Development, 2019, “Utah 2019 Economic Development Strategic Plan,” https://issuu.com/goed/docs/utah-goed-2019-strategic-plan.

13 Utah League of Cities and Towns, 2019, “Resolution 2019-001,” www.ulct.org/wp-content/uploads/sites/4/2019/09/2019-001.pdf.

14 GOED, 2019.

15 Salt Lake County Council, Minutes for 9 August 2016, https://slco.legistar.com/View.ashx?M=M&ID=659336&GUID=75F2082D-4D10-4450-B9AE-405C4DD78D54; Jordan School District Board of Education, Minutes for 16 August 2016, https://jordandistrict.org/wp-content/uploads/bmm_20160816.pdf.

16 Alpine School District Board of Education, Minutes for 23 May 2018, https://drive.google.com/drive/folders/10VgMHbL7Gn5Ts6L-7hqQvo5aKd_55wBfv.

17 Utah County Board of County Commissioners, Minutes for 22 May 2018, www.utah.gov/pmn/files/404985.pdf.

18 Compare Utah State Statute 17C-2-103 and 17C-3-103 which require “an analysis of whether the proposed project area development might reasonably be expected to occur in the foreseeable future solely through private investment” with current requirements in Utah State Statute 17C-5-105 which has no such requirement.

19 S.B. 56 Community Reinvestment Agency Report Amendments, 2019 General Session, https://le.utah.gov/~2019/bills/static/SB0056.html.

20 See Utah Foundation, *Public Funds, Private Endeavors: A Primer on Local Economic Development Incentives in Utah*, February 2019, p. 7.

21 Utah State Statute § 59-1-403, https://le.utah.gov/xcode/Title59/Chapter1/59-1-S403.html.

22 Utah State Statute 17C-1-603, https://le.utah.gov/xcode/Title17C/Chapter1/17C-1-S603.html.

23 Salt Lake County, “Tax increment database” 2020, https://slco.maps.arcgis.com/apps/opsdashboard/index.html#/81022f968ab64da983a6e20105e89965.

24 Governmental Accounting Standards Board, 2015 “Statement no. 77 of the Governmental Accounting Standards Board: Tax abatement disclosures,” www.gasb.org/jsp/GASB/Document_C/DocumentPage?cid=1176166283745&acceptedDisclaimer=true.

25 Ibid. See paragraph B9.

26 Governmental Accounting Standards Board, 2017, “Implementation guid no. 2017-1, Implementation Guidance Update—2017,” see

paragraph 4.40. https://www.gasb.org/jsp/GASB/Document_C/DocumentPage?cid=1176168990840&acceptedDisclaimer=true

27 Ibid. See paragraph 4.41

28 Utah Foundation, *EDTIF Elevated? Utah's Evolving State Incentive Program*, February 2020, www.utahfoundation.org/uploads/rr773.pdf.

29 Office of the Utah State Auditor, 2014, "A performance audit of GOED's corporate incentives program," http://financialreports.utah.gov/saoreports/2014/PA14-03GOEDGovernor'sOfficeofEconomicDevelopment.pdf.

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