BLACK DESERT

RESORT AT ENTRADA

ADDITIONAL PROJECT INFORMATION

January 5, 2021

BLACK DESERT

RESORT AT ENTRADA

Key Points of this Request for Support from Ivins City

- **The "heartbeat" of the Black Desert Resort project will be the Desert Boardwalk that creates a truly walkable, town center destination and the "there there" for Ivins City**
- **Support from a Public Infrastructure District (PID) and Community Reinvestment Area (CRA) allows Desert Boardwalk construction to happen concurrently with Resort Center, and to fund other Resort Enhancements (hiking trails, convention center, and additional structured parking)**
- **PID funding involves no cost to the City, and CRA support maximizes long-term benefits to Ivins**
    - Ivins City's investment of Tax Increment is spread over 30 years
    - Net Financial Benefits from creating the Desert Boardwalk in the form of additional tax revenue sources to Ivins (Property, Sales, Franchise, and Transient Room tax receipts) far outweigh the annual expenditure of Tax Increment
    - Net Benefits of Plan A (with CRA) are substantially greater than with Plan B (no CRA)
    - Plan A generates $8 million more net benefit for Ivins City for the period a portion of the tax increment generated by BDR is provided to the PID and $33 million more benefit over 50 years than Ivins would realize under Plan B.
- **Black Desert Resort will generate significant Net Benefits to Ivins City over 50 Years**
    - Transient Room Tax: $85M; Sales Tax: $110M; Property Tax: $21M; Franchise Tax: $7M
- **PID/CRA Collection Area matches the boundaries of Black Desert Resort property**
    - What this means for Ivins is that PID and CRA revenues are solely generated by the increase in value of Black Desert Resort
    - All revenues are collected from within the Black Desert Resort property
    - There is no impact on the remaining tax base of Ivins City
- **PID funding is from an additional property tax levy on future owners in Black Desert Resort**
- **CRA funding is based on the increase in assessed value of Black Desert Resort (Tax Increment)**
- **The CRA is a partnership between Ivins City and other taxing entities**
    - Each entity receives 25% of the Tax Increment generated within Black Desert Resort
    - Each entity contributes 75% of Black Desert Resort Tax Increment to the CRA
    - What this means is that Ivins City would be funding 15% of the Tax Increment in the CRA
    - The remaining 85% of the CRA funding is from other taxing entities (primarily Washington County and the Washington County School District) which provides the opportunity for significant additional tax revenues for Ivins City associated with the Desert Boardwalk
- **The PID is the entity that would issue bonds to finance the Resort Enhancements**
    - This structure combines PID and CRA revenues and issues a bond against future revenues
    - The structure eliminates all of the risk to Ivins City. Ultimately, the bond purchasers assume all of the risk.
- **Participation in the CRA provides $6.9 million of funding to Ivins City to provide affordable housing anywhere in the city (85% of which is provided from the other taxing entities through the CRA partnership)**

PLAN A – THE BLACK DESERT VISION

The heartbeat and economic driver for the destination resort is its 3,000 ft long **"Desert Boardwalk."** Black Desert Drive (the main entry to the resort) will slope below a signature design pedestrian bridge creating a remarkable walkable destination. Flanked on either side with bike parking, live entertainment spaces, nature center, cafes, art galleries, bistros, and retail shopping, the Desert Boardwalk becomes the "there-there" for southern Utah residents and its guests.

Having this place of community, a gathering spot for people to mingle, take in unique culinary experiences, learn about the unique landscape and wildlife, listen to live music, or ride your bike to grab an ice cream, allows the hotel, residences, and overall community to become a true destination. Without the Desert Boardwalk experience, Black Desert is relegated to "a hotel with a golf course."

The experience of the Desert Boardwalk is the unifying heart of Black Desert Resort that will help drive the success of the Convention Center. When booking large scale events, Companies look for locations that provide a sense of place and that can be enjoyed without the need for a vehicle once there. This will also further support the hospitality components through projected higher occupancy percentages as well as average daily rates.

The Desert Boardwalk design facilitated by undergound parking fosters a pedestrian-friendly environment, eliminates of unsightly massive at grade parking lots, and will materially reduce vehicular trips to and from Black Desert by its guests. Once guests park underground and have everything needed on-site, they will tend to spend their time staying at the resort.

This highest level development vision can be best achieved through the City's participation in supporting the project through the creation of a Public Infrastrucure District (PID) and a Community Reinvestment Area (CRA). These are well-proven and historically effective economic development tools used by local government to assist in creating first-class development projects that bring long term benefits to the community.

PLAN B – FINANCIAL and TIME GAP

A decision has to be made with phase one of Black Desert and it begins with Black Desert Drive. In order to create the Desert Boardwalk, the entry road must slope downward until 14' below grade at the location of the pedestrian bridge. The entry road and the underground parking to support the Desert Boardwalk and resort facilities will have to be built as part of the initial phase of construction.

The road cannot be lowered, and the underground structures cannot be constructed subsequent to the completion of phase one as a multi-year construction effort of this type directly in front of the hotel would prove devastating to the guest experience. Likewise, the financial team has been unable to find a lender to finance the parking structures as part of the phase one finance package.

But for support from the PID/CRA tools to solve this Time Gap, the Desert Boardwalk amentity would not be feasible, and Black Desert Drive would remain at grade and be flanked by two large surface parking lots. Surface parking is by no means the highest and best use of land. First, there is a major visual and experiential disconnect between surface parking and an efficiently parked destination. Second, there is a significant economic benefit from structured parking, which in many cases increases the utilization of land by four to five fold in terms of economic tax base as compared to the surface parking alternatives.

SUMMARY

The economic benefits of Plan A also far outweigh Plan B. Plan A generates a positive net benefit (accounting for all property, sales, transient room, franchise, and telecommunications tax revenues after expenditures) to Ivins City of $42.2 million over 30 years, and $114.6 million over a 50-year period. Plan A also generates $7.9 million more in net benefits to Ivins City than Plan B over 30 years and $32.9 million more than Plan B through 50 years.

However, the driving issue is not simply a matter of economics, but rather one of aesthetics and whether the city of Ivins shares a “Plan A” vision for the land that will become Black Desert Resort. Black Desert Resort will either be a hotel with golf course and residences; or it can become the primary hospitality destination of southern Utah. It is our belief that traffic will be less, not more, with the Desert Boardwalk anchoring the resort. This difference in aesthetic value is incontrovertible.

FREQUENTLY ASKED QUESTIONS:

What support is being requested for Black Desert Resort?

The Black Desert Resort team is seeking support to create a Public Infrastructure District (PID) and a Community Reinvestment Area (CRA) to fund infrastructure enhancements that will create a true destination resort.

Why is this so important to Black Desert Resort?

Resort Enhancements including the Convention Center, Improved Hiking Trail Network, Three Below-Grad Parking Structures, Pedestrian Amenities, and Desert Boardwalk involve a $58 million development cost premium. The PID and CRA tools provide critical support, particularly where private funding sources are not feasible for structured parking. But for the support of the CRA, the Desert Boardwalk will not be possible from both a financing and a timing standpoint. This amenity must be built in conjunction with the Resort Center and is only possible if the CRA is in place to fund the structured parking and pedestrian bridge that allow this amenity to anchor the resort instead of two surface parking lots.

What are the boundaries of the PID/CRA collection area?

The boundaries of the PID and CRA area match the boundaries of Black Desert Resort, and do not extend beyond the property lines.

What does this mean for Ivins residents?

This means that ALL of the revenues that fund development come from within the project. Both the PID and CRA are based on new revenue that is created by the project itself. CRA funding is from Tax Increment, which comes from the growth in assessed value of property within Black Desert Resort. PID funding comes from an additional limited property tax on future property owners and users within Black Desert Resort.

Who else participates in a CRA?

The CRA is a partnership with other taxing entities, like Washington County and the Washington County School District. All the taxing entities receive 25% of the new Tax Increment created by Black Desert Resort, and contribute their share of the remaining 75% to the CRA that matches their tax rates: Ivins City (15%), Washington County (9%), Washington County School District (69%), Water Conservancy District (7%).

What is the financial impact to Ivins City?

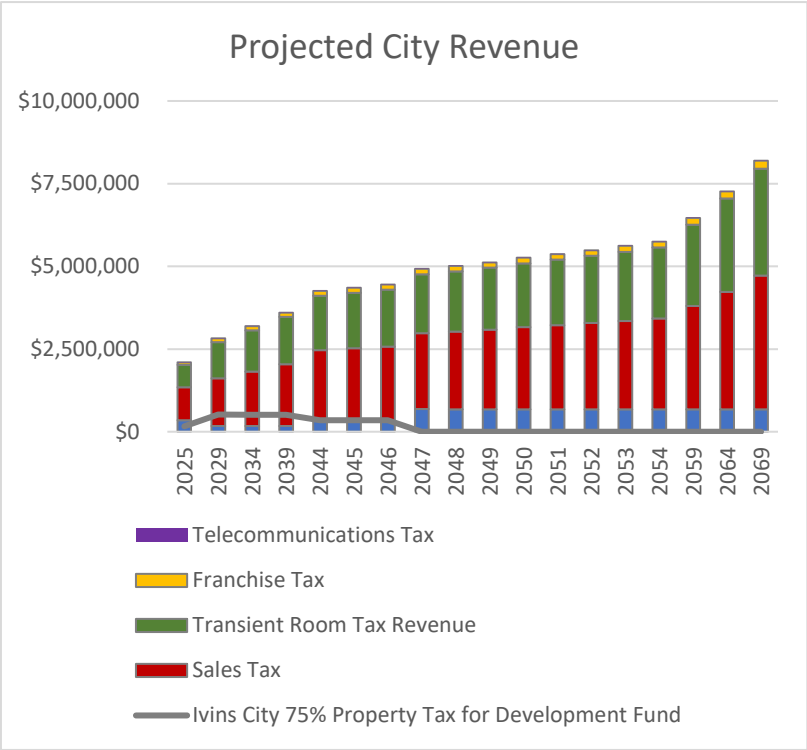
The PID involves no funding from Ivins City. The 30-year period of the CRA consistently provides a net benefit to the city, during which the project generates significant new revenue, including $7.1 million Tax Increment (i.e. the 25% Ivins keeps), $45.7 million Sales Tax, $34.6 million Transient Room Tax, and $3.3 million Franchise Tax. The long-term benefits are even greater, with Plan A generating $32.9 million more in net benefits to the city as compared to Plan B over a 50-year period.

What are the risks to Ivins City?

There is no financial risk to Ivins City for supporting Black Desert Resort. The PID would issue all of the bonds (funded from the PID and the CRA sources), which would support the raising of necessary capital to fund Resort Enhancements. The source of repayment on these PID bonds would be the PID property taxes and the tax increment received from the CRA.

Under this proposed approach, the PID is the issuer of bonds and will utilize the revenue sources from the PID and CRA. Neither the CRA, the Reinvestment Agency, nor the City would be required or requested to issue, collateralize, or enhance any potential issuance of bonds. This means that the City is entirely removed from liability on the financing, with no obligation from its residents, businesses, or city government itself. This method allows for participation on the basis of 100% of the responsibility being taken on by the PID, developer, and future bondholders. Bondholders assume all of the risk in the unlikely event of a shortfall in tax increment.

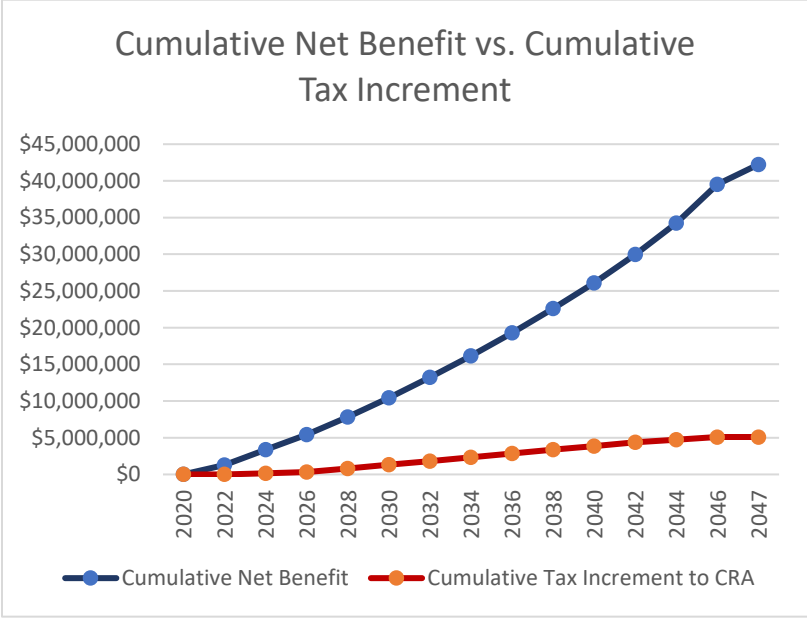
SUPPORTING DOCUMENTS AND INFORMATION:



Significant Net Benefits to Ivins over 50 Years

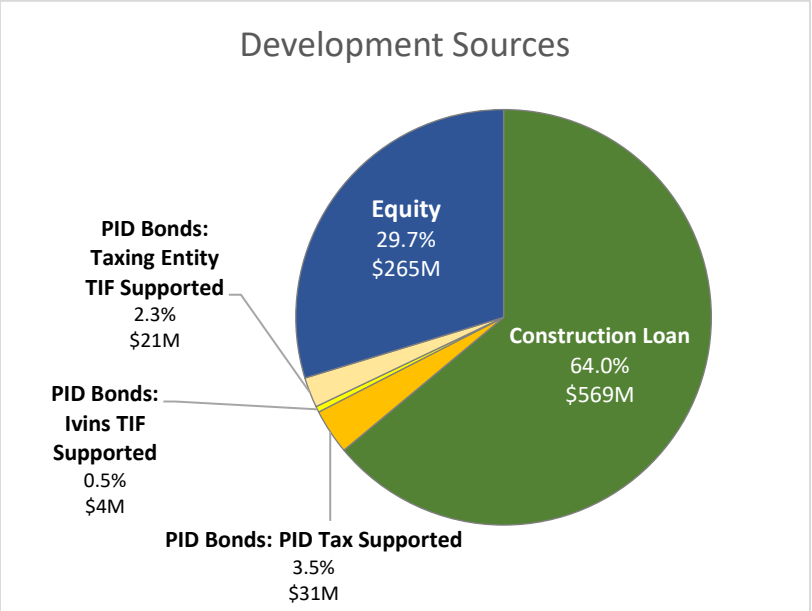
The grayline on this chart indicates Ivins City's contribution of Tax Increment to the CRA. Blocks identify the following Net Benefits:

- $21 million Property Tax
- $110 million Sales Tax
- $85 million Transient Room Tax
- $7 million Franchise Tax
- Net benefits consistently outweigh "cost" of Ivins' Tax Increment to CRA



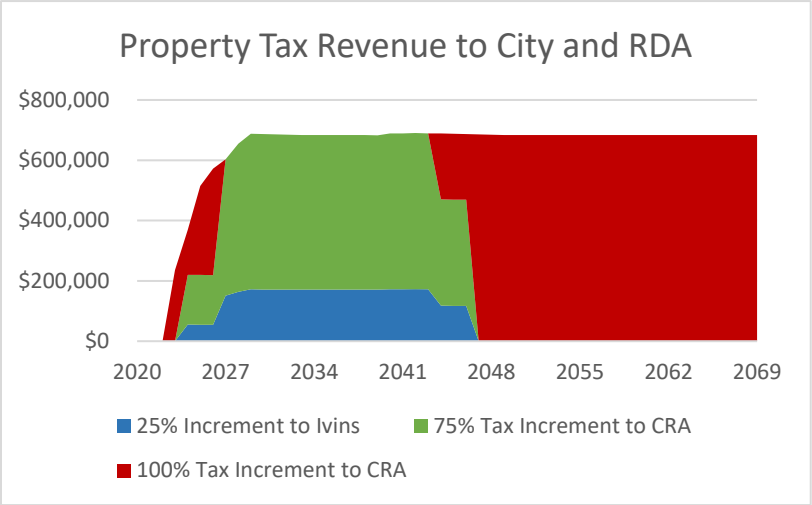
Cumulative Net Benefits vs. Cumulative Ivins Tax Increment to CRA

- Tax Increment from Ivins is not fully invested in the CRA until it expires in 2047
- Meanwhile, BDR Generates $42 million cumulative net benefits to Ivins over the first 30 years



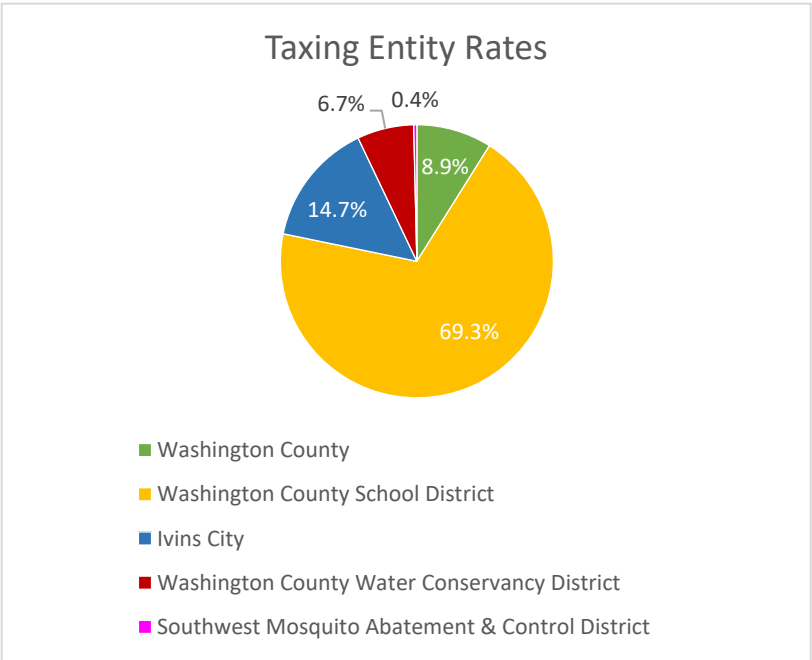
CRA Tax Increment = 3% of Total Sources

- 30-year net present value of Ivins' share of Tax Increment to CRA = $4.1 million
- CRA Tax Increment from Ivins = 0.5% of Total Sources



Ivins to Benefit from Growth in BDR Property Value Over Time

- Ivins receives 25% of Tax Increment generated by the project during the CRA ($7.1 million)
- Ivins receives 100% of Tax Increment at the end of CRA
- Property value Increases from $83,000 in 2021, to $517 milllion in 2049



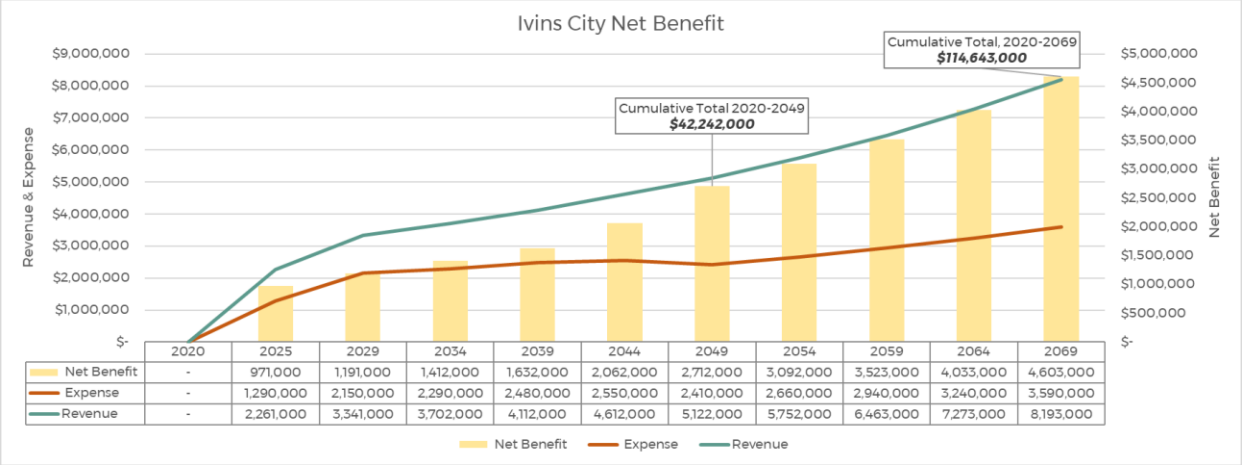
CRA Involves a Partnership with Other Taxing Entities

- Ivins funds 15% of the Tax Increment to CRA
- Other 85% is from Taxing Entities
- CRA also provides $6.9 million to promote Affordable Housing in Ivins

Long Term Benefits to Ivins City: Black Desert Resort will bring an unmatched destination experience to guests and visitors from the surrounding community alike. The Resort Center will attract both recreational and business visitation with its signature golf course, restaurants, spa, and Convention Center. Amenities in the residential villages will attract secondary home purchasers and vacation rentals of these units, and the Desert Boardwalk will establish a true town center that welcomes both resort guests and patrons from the surrounding region with its pedestrian-focused outdoor gathering and dining experience. A network of publicly accessible hiking trails through 175 acres of preserved open space will enhance recreation opportunities for local residents, as well as guests and will also provide educational opportunities for study of the lava rock desert environment.

The Black Desert Resort project will also be a significant driver of the local economy and will contribute substantial net financial benefit to Ivins City, including:

- $517 million incremental assessed property value
- $213 million annual gross taxable sales
- Revenue Streams to Ivins City (2021-2069)
    - $20.7 million incremental Property Tax revenue
    - $110.0 million Sales Tax
    - $85.1 million Transient Room Tax
    - $7.3 million Franchise Tax



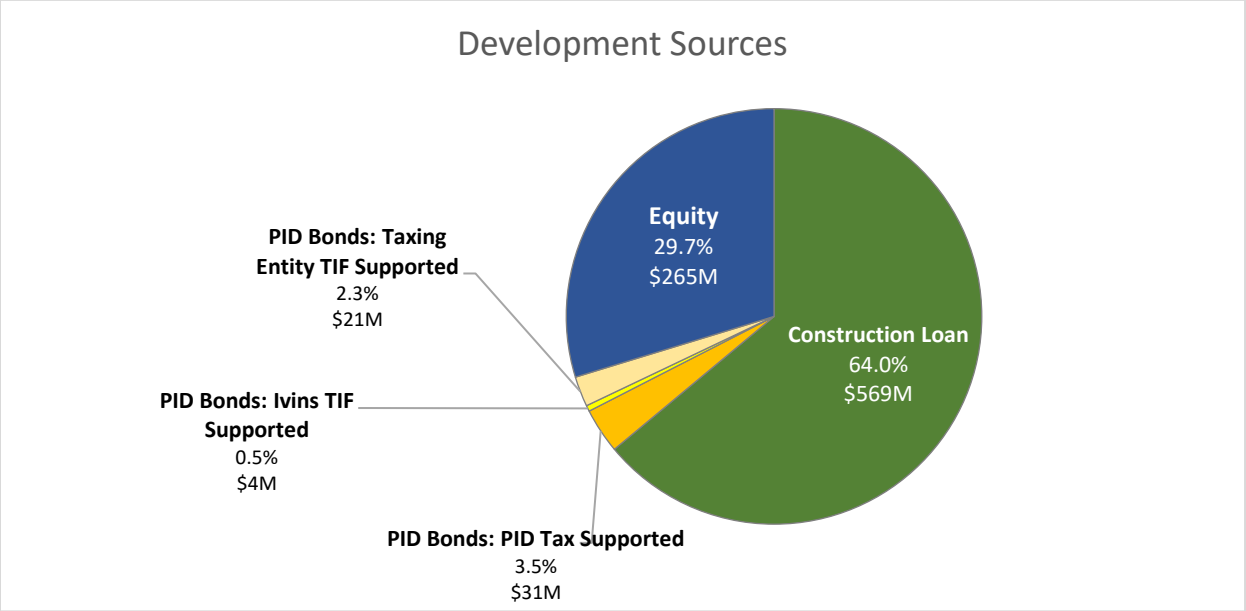
	2020	2025	2029	2034	2039	2044	2049	2054	2059	2064	2069
Net Benefit	-	971,000	1,191,000	1,412,000	1,632,000	2,062,000	2,712,000	3,092,000	3,523,000	4,033,000	4,603,000
Expense	-	1,290,000	2,150,000	2,290,000	2,480,000	2,550,000	2,410,000	2,660,000	2,940,000	3,240,000	3,590,000
Revenue	-	2,261,000	3,341,000	3,702,000	4,112,000	4,612,000	5,122,000	5,752,000	6,463,000	7,273,000	8,193,000

The above chart illustrates the Net Benefits that accrue to Ivins City from the Black Desert Resort project, including revenue from Property Tax, Sales Tax, Transient Room Tax, Franchise Tax, and Telecommunications Tax against expenses including Ivins' contribution of Tax Increment and municipal services associated with this development.

Requested Support from Ivins City: The Black Desert Resort project team is requesting support from Ivins City in two areas: (1) to establish a Public Infrastructure District (PID); and (2) to establish a Community Reinvestment Area (CRA). These are two public participation tools that would allow the development team to capture a portion of the new property tax revenues generated by the project and paid by the

future occupants and users of the residences and resort amenities. None of the tax increment will be collected from anyone living outside of Black Desert Resort, nor are any of those amounts currently collected byIvins City.

The chart below shows the proposed composition of funding sources for this $890 million project:



Why Support from Ivins City is Critical to the Success of the Black Desert Resort Project: The critical issue the development team faces is the need to ensure that the resort experience is a satisfying one for visitors and guests from day one. Black Desert Resort will be constructed over a series of 8 phases, with the Resort Center and its hotel, residences, and Convention Center commencing in the spring of 2021 while the golf course is already underway. Starting with the Resort Center allows the most significant draw to come online soonest and for the city to begin realizing associated economic benefits as early as 2023, with the Desert Boardwalk slated to come online shortly thereafter.

The majority of the enhanced resort infrastructure, including the Convention Center, Hiking Trails, Parking Structures, and Pedestrian-Oriented Bridge and Roadways will be constructed during the Resort Center and Desert Boardwalk phases. From an investment standpoint, the nearly $58 million premium associated with the resort enhancements constructed up front that will benefit all phases of the project is a development cost burden that the Resort Center and Desert Boardwalk cannot absorb without access to public participation tools that enable Black Desert Resort to fund these improvements.

The second equally important factor driving the need for support is the timing impact of sequencing the phasing of development. Black Desert Drive is the primary access to the Resort Center from Snow Canyon Parkway that must be complete at opening. This roadway runs directly through the Desert Boardwalk and will either be recessed to correspond with its below grade parking structures and accommodate the bridge that enhances its pedestrian-focused amenities or constructed at grade to correspond with the alternative of surface parking. Additionally, 225 of the parking stalls for the Resort Center will be located in the South Parking Structure that sits beneath the Desert Boardwalk.

The sitework, shoring, and parking structure construction associated with Black Desert Drive must take place at the time the Resort Center is built to ensure that construction activity does not diminish the experience and success of the resort. Phase 1 of the project therefore directly depends on whether CRA support can facilitate the parking structures in Desert Boardwalk as it simply would not be feasible to temporarily construct and later rebuild Black Desert Drive.

How the Proposed PID and CRA Will Influence the Black Desert Resort Project: The revenue streams that the PID and CRA tools provide will enable Black Desert Resort to issue bonds through the PID to finance the enhancements that will make this a true destination resort and community asset, including: 5-mile publicly-accessible lava rock trail network with improved trailheads; 24,000 square foot Convention Center and meeting spaces; nature center; screening of vehicular parking from view in 3 below-grade garages; and a pedestrian-focused "town center" Desert Boardwalk featuring destination dining, retail shops, and outdoor gathering space.

Below is a breakdown of the development cost for the enhanced resort infrastructure elements:

Resort Center	
Road 'A' Surface Improvements	$ 1,660,000
Road 'A' Parking Access	$ 150,000
Road 'A' Pedestrian Bridge	$ 1,810,000
Road 'C'	$ 2,030,000
Desert Boardwalk South Parking Structure	$18,470,000
Resort Center Parking Structure	$ 6,760,000
Hiking Trails	$ 290,000
Convention Center	$10,580,000
Subtotal	**$41,750,000**
Desert Boardwalk/Culinary Village	
Desert Boardwalk North Parking Structure	$15,170,000
Hideaway Village	
Road 'E'	$ 230,000
Parkway Village	
Trail System	$ 670,000
Trail Heads	$ 440,000
Subtotal	**$ 1,100,000**
Total Project Enhancements	**$58,260,000**

Boundaries of the Public Infrastructure District ("PID") and Community Reinvestment Area ("CRA"): The boundaries of both the proposed PID and CRA areas encompass all of the 265-acre Black Desert Resort property. No other property within city limits will be included in the PID/CRA area, which means that this proposal has no impact on tax revenues that Ivins City receives from outside of the boundary of the Black Desert Resort project. All of the PID and CRA funding comes from within the boundaries of the Black Desert Resort property.

How the PID Funds Development Activities: The PID is a standalone entity created to finance designated public infrastructure improvements within the Black Desert Resort project. City action to create a PID

allows the district to assess and collect a separate property tax levy on future owners within the project. The PID issues bonds supported by the revenues from the tax increment generated by the project and from the limited property tax permitted under the PID that will fund the construction of the public infrastructure improvements, which will be owned by the district upon completion. In this sense, the PID is a tool that allows growth in property values to pay for the physical growth of development.

Elements Funded through the PID: The PID would finance the enhanced trail network and improved trailheads, the Convention Center, a below grade parking structure in the Resort Center (Phase 1 of the project), as well as roadway enhancements and a pedestrian bridge that will create a truly walkable experience for resort guests, patrons of the Desert Boardwalk, and those accessing trailheads by foot or on bike.

How Infrastructure Funded through the PID Will be Owned, Operated, and Maintained: The PID will be responsible for owning, operating, and maintaining the infrastructure funded through the PID. It will be governed by a board and will not require any ongoing involvement or contribution from the city. Operations and maintenance costs will be addressed through the management of the resort property, with association dues and common area maintenance fees collected to ensure the proper upkeep and replacement of the public infrastructure improvements.

Risk to Ivins City of Allowing the Creation of a PID for this Project: The PID imposes no direct liability or risk to Ivins City because it is based on the creation of a separate entity that will finance and own the public infrastructure improvements and collect the additional property tax levy from future owners within the project to service bonds. There is no liability to the city in the event of a default on bond payments, and the city would not be responsible for the future repair and replacement of the infrastructure.

The fundamental risk associated with a PID is one of "disclosure" in that all future owners will need to be made aware of the additional limited property tax when purchasing property in Black Desert Resort. Requirements for disclosure of the PID and its limited property tax can be addressed in the Governing Document established between the city and developer at the time of PID creation. The developer is committed to ensuring it uses best practices when it comes to disclosure and is aligned with the city in ensuring the Governing Document addresses disclosure appropriately.

PID Funding Level and Contribution to Proposed Resort Enhancements: The total budget for enhanced resort development infrastructure is $58 million in today's dollars, approximately $31 million of which would be funded through the PID. The amount of funding generated by the PID is determined by what the market will bear, in that the higher the limited property tax levy goes the less appealing the purchase of a unit at Black Desert Resort could be. The proposal is based on a levy rate of 0.0055, which would result in an overall property tax rate of 0.0175 for future owners.

Why the CRA is Also Critical to the Success of Black Desert Resort: The success of Black Desert Resort ultimately depends on how its amenities can attract and sustain visitation. Participation by taxing entities to generate $25 million of the enhanced resort development amenities is necessary to bridge the gap left after PID funding. The contribution from the CRA will enable a walkable town center Desert Boardwalk experience with its variety of dining options and retail shops connected with a pedestrian thoroughfare offering outdoor gathering and performance spaces, thus creating the sense of place that anchors the resort experience. The Desert Boardwalk will provide the type of amenity that allows guests to arrive at Black Desert Resort, park once, and not need to leave in search for this experience elsewhere in communities such as downtown St. George.

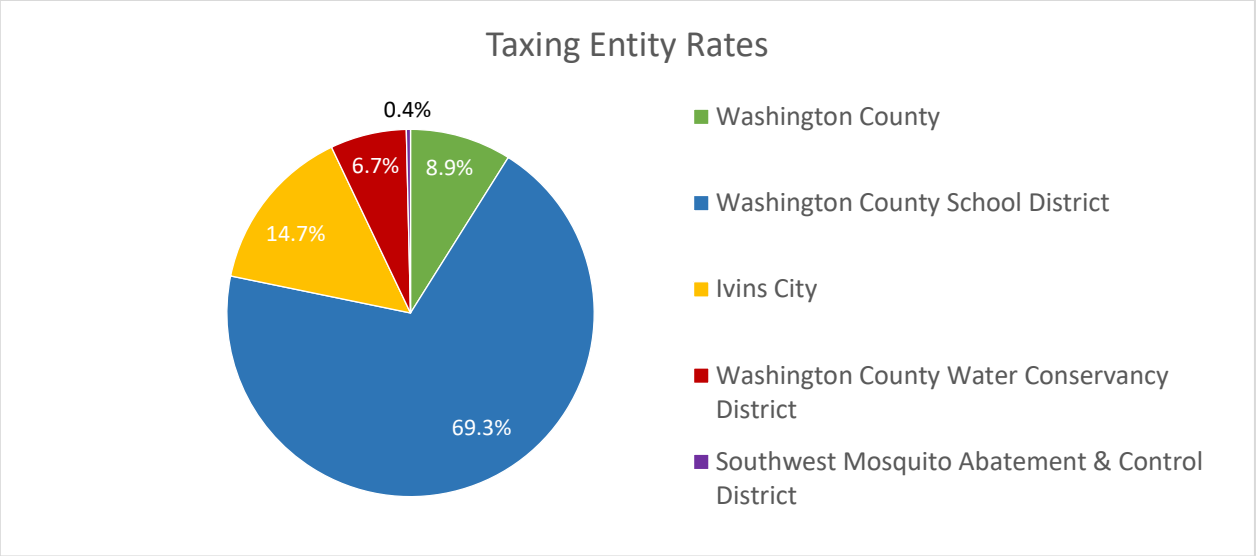
The anticipated preservation of 70% of Black Desert Resort acreage as open space requires the most efficient use of the land to accommodate parking needs and the Desert Boardwalk through two below grade parking structures. The Black Desert Drive entrance to the property will be recessed to allow a pedestrian bridge connection between the north and south portions of the Desert Boardwalk. The development cost premium associated with building structured parking and the pedestrian bridge presents the need for participation and support for the project through the creation of a CRA. Private capital sources are reluctant to finance parking structures as they impose additional cost without additional revenue generation. The returns offered to investors in the Resort Center and Desert Boardwalk phases of the project will not support this incremental cost, and access to Tax Increment from the CRA will allow Black Desert Resort to bond for these improvements.

CRA Proposal Request from Ivins City: Black Desert Resort is requesting that Ivins City establish a "Reinvestment Agency" through its City Council, and for this Reinvestment Agency to subsequently create a "Community Reinvestment Area" (CRA) that will match the boundaries of the 265-acre project site. It is important to note that Ivins City previously established a Reinvestment Agency (which was referred to as a Redevelopment Agency under former terminology of Utah law) to promote development of the Black Desert Resort property, and which was in place when the current ownership acquired the property. The city recently terminated its Redevelopment Agency because development had not yet taken place on the Black Desert Resort property. The request is for the city to reestablish this entity, which is a separate body led by its City Council, under the new name of a Reinvestment Agency. All decisions of the Reinvestment Agency are made by its board which is the members of the City Council.

CRA is a Tool for Economic Development: A CRA is the type of project area that a community may establish through its Reinvestment Agency to encourage, promote, or provide certain development activities within a designated geographic area. There have been many recent changes to the Community Reinvestment Agency Act that formerly referred to such agencies as "Redevelopment Agency" and allowed for the creation of 3 types of project areas to incent development: an Urban Renewal Project Area ("URA"); an Economic Development Project Area ("EDA"); and a Community Development Project Area ("CDA"). URAs were focused on addressing impediments to development and eliminating blight; EDAs focused on job creation; and CDAs typically targeted specific development projects that a community desired to promote.

State law has been updated to replace the URA, EDA, and CDA with the CRA as the single type of project area that a Reinvestment Agency can create. The purposes of a CRA are wide ranging, and include encouraging, promoting, or providing development that creates or retains jobs; provides improvements such as parking facilities; provides residential, commercial, industrial, public, or other structures or spaces, including recreational facilities; providing open space, including streets or other public space or ground around buildings; and improving public or private recreation areas.

A CRA is a mechanism through which a community can access a portion of its own share of Tax Increment (defined below) and combine it with a portion of the Tax Increment from the other local taxing entities, such as the County, School District, Water Conservancy District, and Mosquito Abatement, to promote development activities within the boundaries of the CRA. Below is a breakdown that demonstrates how much Tax Increment in a CRA would come from each of the participating taxing entities:



In this sense, a CRA is a partnership formed by the city to leverage its resources by accessing a share of the resources from the other taxing entities to support development that benefits each of the taxing entities but most specifically benefits the city by enabling it to invest these funds to promote development activity within this specific geographic area.

The underlying premise of a CRA is that by sharing a portion of its Tax Increment, leveraging these resources with Tax Increment the other taxing entities contribute, and investing this Tax Increment to promote activities that fulfill the community's goals for quality development, the city will realize greater benefits in both the short- and long-term from the project. In the short-term, the Desert Boardwalk at Black Desert Resort would establish a town center experience for both resort guests and visitors from the surrounding community that would translate to greater Sales Tax and Transient Room Tax revenues which simply would not exist if the land were used for surface parking. In the long-term, the $110 million incremental value of the Desert Boardwalk increases the overall tax base of the resort property, and the city and other taxing entities would each receive 100% of their respective share of Tax Increment from a "larger pie" when the term of the CRA comes to an end.

How a CRA is Created: To create a CRA, a community first needs to establish a Reinvestment Agency. The Reinvestment Agency then puts together a Plan that explores many factors of the project area, including the community benefit that will be generated through investing Tax Increment within the CRA, as well as a Budget that details how much Tax Increment will be collected, for how long a period, and on what activities it will be spent to support development activity within the CRA. Both the Plan and Budget are presented to the City Council, acting as the board of the Reinvestment Agency, with opportunities for community input during a public hearing on these topics.

Because a CRA involves partnership with the other taxing entities who are asked to commit a portion of their Tax Increment, the city also must obtain approval from these entities to secure their participation in the project area. This is ultimately accomplished through interlocal agreements between the Reinvestment Agency and each of the taxing entities.

Property Tax Increment: Property Tax Increment is the additional tax revenue created by the improvement of real property. When a CRA is established in an area, its assessed value at that time is

designated as the "base year" valuation. The value of the property is increased through the developer's investment, with this new value above the base year value becoming the "incremental value" of the property. Tax Increment is the result of multiplying the incremental value by the property tax rate.

For example, on a property where the base year value is $100,000 and the developer improves the property such that its assessed value increases to $1,100,000, the incremental value would be $1,000,000.

Tax Increment in this scenario would be:

$1,100,000 - $100,000 = $1,000,000 x 0.009013 tax rate = $9,013.

By creating a CRA, the taxing entities agree to forego a portion of their share of this Tax Increment revenue for a specific period of time. The revenue source of Tax Increment is the payment of property taxes by the developer (during buildout of the project) and by future residents and occupants of Black Desert Resort. In the case of this CRA request, the city's Reinvestment Agency would receive 75% of the Tax Increment from the taxing entities as follows:

Taxing Entity	75% Share of Tax Increment	% of Total
Ivins City	$993.00	14.7%
Washington County	$603.75	8.9%
Washington County School District	$4,684.50	69.3%
Washington County Water Conservancy District	$453.75	6.7%
Southwest Mosquito Abatement & Control District	$24.75	0.4%

CRA project areas typically involve a sharing of Tax Increment between the Reinvestment Agency and the taxing entities. In this case where the CRA terms propose a 75% sharing of Tax Increment, the taxing entities would continue to receive 25% of the Tax Increment generated by the developer's investment in Black Desert Resort:

Taxing Entity	25% Share of Tax Increment
Ivins City	$331.00
Washington County	$201.25
Washington County School District	$1,561.50
Washington County Water Conservancy District	$151.25
Southwest Mosquito Abatement & Control District	$8.25

CRA Funding Process for Development Activities: The Reinvestment Agency that receives Tax Increment from the participating taxing entities invests these proceeds within the boundaries of the CRA or to benefit the CRA according to the Plan and Budget established at project area formation. This proposal is for the city's Reinvestment Agency to enter a participation agreement with Black Desert Resort that would provide an annual reimbursement to the developer of the Tax Increment that the agency receives from the CRA. Black Desert Resort would monetize the projected stream of tax increment reimbursement payments through a bond that would be used to fund improvements in the project. These bonds would be repaid by the tax increment reimbursement that Black Desert Resort receives from the Reinvestment Agency.

Elements to be Funded through the CRA: The developer's bonds backed by Tax Increment financing would fund the construction of the 2 below grade parking structures, above which the Desert Boardwalk amenities would be constructed. Without access to the Tax Increment resources of the CRA, the project cannot support the incremental cost to excavate and construct parking below grade. Consequently, land for the Desert Boardwalk would instead be utilized for two surface parking lots to accommodate the 650 stalls that would otherwise be located in the garages.

How the Infrastructure Funded through the CRA Will be Owned, Operated, and Maintained: The parking structures funded through the CRA would be the property of Black Desert Resort, with its future owners being responsible for ownership, operation, and maintenance of these facilities. These expenses would be funded through typical owner association dues and common area maintenance fees. Tax Increment received by Black Desert Resort could also sustain the operation and maintenance of these assets. There would be no obligation on the part of Ivins City to contribute to the operation, maintenance, repair, or replacement of the parking structures.

Risks to Ivins City of Creating a CRA for this Project: The CRA involves the redirection of 75% of the future property tax revenues that are generated by the increase in the assessed value of the property within Black Desert Resort. The Reinvestment Agency would be committed to provide an annual payment of this Tax Increment to the developer for the collection period of the CRA. This proposal is for the CRA to span a period of 30 years to enable the capture and reinvestment of increment from each of the resort's 8 phases. Each phase would have a 20-year collection period, and it is anticipated that all Tax Increment would be collected and distributed within 25 years if each phase is completed as projected.

A risk to the city would be that postponed construction of any phase might extend the anticipated timeline, however, the CRA would have an overall lifespan of 30 years at which time no further Tax Increment would flow to Black Desert Resort and the CRA would terminate. After the expiration of the collection period of each phase, the city would receive 100% of its share of Tax Increment from that particular phase.

The fundamental risk to Ivins City is the opportunity cost of forgoing its 75% share of Tax Increment generated by the project. The city's total share of Tax Increment from the project is projected to be $13.6 million, 75% of which ($10.2 million) would flow to Black Desert Resort, and 25% of which ($3.4 million) would be received by the city. It is important to note that the city's contribution of tax increment takes place over the span of 20-30 years, with this annual contribution likely to average $450,000/year. *This means that the city's portion of the CRA would not be fully funded until the point when it expires.*

In the meantime, Ivins City would receive the significant net benefit that Black Desert Resort will generate, including Transient Room Tax, Sales Tax, Franchise Tax, Telecommunications Tax, and the 25% share of Tax Increment that the city continues to collect from the project. In fact, it is projected that the city will receive more than its projected investment of Tax Increment by year 10of the CRA, and a total of $34 million at the time that its full investment of Tax Increment is made at the end of the collection term of the CRA.

How the PID and CRA Work Together to Mitigate Risk to Ivins City: The combination of the PID and CRA in this proposal mitigates virtually all the potential financing risk to the city related to this endeavor. The creation of the PID allows that entity to issue bonds backed by revenues from both the PID and CRA sources. It is the PID that would be responsible for issuing and servicing the bonds, and in the event of a default there would be no recourse to Ivins City. In other settings, Tax Increment is commonly used by the

Reinvestment Agency that receives it as a funding source for it to issue bonds to finance infrastructure improvements. The use of the PID entity as the issuer of both PID and CRA revenue bonds provides an additional layer of isolation and risk mitigation to the city.

How the CRA Will Generate Funds for Affordable Housing: An additional benefit that Ivins City would realize from participation in the CRA is the set aside of a portion of the 75% Tax Increment that its Reinvestment Agency receives to fund affordable housing in the community. State law requires that the Budget for a CRA set aside 10% of Tax Increment to fund affordable housing. These funds may be used anywhere in the city for a wide variety of purposes to promote affordable housing.

In this case, it is projected that $69.5 million tax increment would flow from the participating taxing entities over the 30-year span of the CRA, and that 10% of these funds ($6.95 million) would be held by the city's Reinvestment Agency outside of the Tax Increment reimbursement to Black Desert Resort. In this sense, one additional advantage to the city of creating a CRA is that- through the sharing of increment from the other taxing entities- it enables the community to capture more of the incremental property value created by the Black Desert Resort project and to direct 10% of these funds towards addressing the community's long-term housing needs. This particular revenue stream for affordable housing would not exist in the event a CRA is not created. If there were no CRA, the city could instead use general fund revenue for affordable housing but it wouldn't necessarily be earmarked for this purpose like it must be in the CRA budget.

The Cost Benefit to Ivins City of Participating in the CRA: Participation in the CRA would involve the investment by Ivins City of approximately $10.2 million over the lifespan of the project area. During this period, Ivins would continue to receive 25% of the Tax Increment created by Black Desert Resort, approximately $3.4 million. As such, the cost to the city is foregoing the additional $10.2 million of Tax Increment, however, it is instructive to show the timing of when this investment will be made, and to weigh this against the incremental financial benefits that would flow to Ivins over the same period.

	2023	2033	2043	2047	2053	2063
Revenue						
Ivins City 25% Property Tax	$240,000	$170,000	$170,000	$690,000	$680,000	$680,000
Ivins City 75% Property Tax	-	510,000	520,000	-	-	-
Sales Tax	490,000	1,610,000	2,070,000	2,290,000	2,670,000	3,460,000
Transient Room Tax Revenue	310,000	1,210,000	1,590,000	1,780,000	2,090,000	2,740,000
Franchise Tax	$40,000	$120,000	$140,000	$160,000	$180,000	$210,000
Telecommunications Tax	$0	$1,000	$2,000	$2,000	$2,000	$3,000
Total Revenue	**$1,080,000**	**$3,621,000**	**$4,492,000**	**$4,922,000**	**$5,622,000**	**$7,093,000**
Expense						
Ivins 75% TIF Development Fund	-	$510,000	$520,000	-	-	-
General Government Services	80,000	270,000	330,000	360,000	400,000	490,000
Law Enforcement	220,000	770,000	950,000	1,020,000	1,150,000	1,400,000
Streets & Sanitation	140,000	490,000	610,000	650,000	730,000	890,000
Parks & Recreation	60,000	220,000	270,000	290,000	330,000	400,000
Total Expense	**$500,000**	**$2,260,000**	**$2,680,000**	**2,320,000**	**$2,610,000**	**$3,180,000**
Net Benefit	**$580,000**	**$1,361,000**	**$1,812,000**	**$2,712,000**	**$3,012,000**	**$3,913,000**
Plan A						
Cumulative Net Benefit	**$590,000**	**$11,810,000**	**$27,900,000**	**$36,868,000**	**$53,880,000**	**$88,785,000**
Ivins 75% of Tax Increment	**-**	**$3,980,000**	**$9,120,000**	**$10,170,000**	**$10,170,000**	**$10,170,000**

Ivins City's investment of $10.2 million Tax Increment is not fully expended until the expiration of the CRA in 2047, at which point the cumulative net benefits to the city ($42 million) far outweigh the expenditure of Tax Increment.

It is also important to evaluate the net benefits that flow to Ivins City under the scenario where the CRA is established to support the Desert Boardwalk (Plan A) in comparison with the alternative scenario where this land is instead dedicated for surface parking (Plan B):

	2029	2039	2049	2059	2069	30-Year Total	50-Year Total
Plan A							
Revenue	$3,341,000	$4,112,000	$5,122,000	$6,463,000	$8,193,000	$100,842,000	$232,923,000
Expense	2,150,000	2,480,000	2,410,000	2,940,000	3,590,000	58,600,000	118,280,000
Net Benefit	1,191,000	1,632,000	2,712,000	3,523,000	4,603,000	42,242,000	114,643,000
Cum Net Ben	$6,616,000	$20,912,000	$42,242,000	$73,713,000	$114,643,000		
Plan B							
Revenue	$2,391,000	$2,941,000	$3,672,000	$4,612,000	$5,822,000	$72,620,000	$166,970,000
Expense	1,280,000	1,550,000	1,900,000	2,310,000	2,810,000	38,280,000	85,260,000
Net Benefit	1,111,000	1,391,000	1,772,000	2,302,000	3,012,000	34,340,000	81,710,000
Cum Net Ben	$5,926,000	$18,516,000	$34,340,000	$54,840,000	$81,710,000		
Difference	**$690,000**	**$2,396,000**	**$7,902,000**	**$18,873,000**	**$32,933,000**	**$7,902,000**	**$32,933,000**

As the data from this analysis shows, the overall net benefit to Ivins City is $7.9 million greater over the first 30 years as compared to Plan B. After the expiration of the CRA, the additional Tax Increment that the city will receive, coupled with the additional tax revenues attendant to the additional residential and retail activity of Plan A, results in a $33 million incremental benefit to the city over a 50-year period.

In summary, the creation of the CRA is a way for the city to leverage the investment of $10.2 million of its future tax increment that this project will generate by combining it with the resources of the other taxing entities to enable the Desert Boardwalk development to take place on land that would otherwise be dedicated to surface parking, and for this phase to contribute incremental net benefits resulting in a $33.0 million incremental return above Plan B over a 50-year period.