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Pittsburg Co TIF Review CONFIDENTIAL ATTORNEY WORK PRODUCT

1 message

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Good Morning Review Committee,

The current draft of the project plan lays out the framework for a system with three components. The Project Plan defines the policy goals and how the proposed tax abatement works. The Economic Development Agreement will contain the negotiated business terms between IREN and the County. The Tax Incentive Agreement governs how payments are actually calculated and enforced. In the event of a conflict, the Project Plan controls over the other two agreements.

The incentives are driven by MW Energized, which measures how much of the project is actually operational. Based on the MW Energized, the tax abatement increases as MW Energized increases. IREN's Required Payment is based on the actual tax value of the project and adjusts with as the MW Energized increases (reflecting growth in the project size). The Community Betterment Payments are fixed payments that are tied to increases in MW Energized and are adjusted for inflation every 5 years. This creates a performance-based abatement, where more development leads to a greater incentive but also leads to more tax revenues and Community Betterment Payments.

The entire system depends on how much of IREN's investment becomes taxable value. If value is lower than projected, revenues and Community Betterment Payments may decrease as well. Protection from this is provided in the form of a required payment, which sets a floor for annual payments, regardless of any other circumstances.

Structurally there is one thing left to tie down - I read their required payment presentation yesterday as a ceiling, they're telling me that it's their proposed floor. If that is truly the case then we need to make the language in the Project Plan unambiguous. That's my task for the next couple of days.

Economically, their floor is significantly lower than what we proposed based on their depreciation assumptions. We can accept some depreciation, but currently they're proposing a 60% discount value to the fair cash value assessed. I'd like to try and get their depreciation around 40%. There's a couple ways we can go about this. We can counter and suggest a lower discount rate and try and move the Required Payments up that way, or we can accept their 60% depreciation values but compensate by increasing the Community Betterment Payments to make up the difference. I don't think the form of payment matters to their economics but it would impact the taxing entities from a budget standpoint, as Required Payments flow through in the same manner as Ad Valorem Taxes, and Community Betterment Payment's don't (which is another conversation we need to have internally for the Tax Incentive Agreement). Please think on this and let me know your thoughts on how to proceed.

I'll keep this group updated as to my conversations with IREN.

Thanks for all your time and work yesterday, we will try to keep the next meeting more streamlined.

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