

SOUTH JORDAN CITY
CITY COUNCIL STUDY SESSION

May 5, 2015

Present: Mayor David Alvord, Councilman Steve Barnes, Councilman Chuck Newton, Councilman Chris Rogers, Councilman Mark Seethaler, Councilman Don Shelton, CM Gary Whatcott, Finance Director Sunil Naidu, Community Development Director Preece, COS Paul Cunningham, Development Services Director Brad Klavano, City Council Secretary MaryAnn Dean

Others: Attachment A

**STUDY SESSION – 4:00 PM
POLICE TRAINING ROOM**

Councilman Barnes made a motion to nominate Councilman Shelton as Mayor Pro Tempore until Mayor Alvord arrives. Councilman Seethaler seconded the motion. The vote was unanimous in favor.

A. *Invocation: By Councilman Mark Seethaler*

Councilman Seethaler offered the invocation.

Mayor Alvord arrived at this time.

B. Discussion Item: RDA Project Area #9. *(By City Commerce Director Brian Preece)*

Representatives from Thackeray Garn Company, Millrock Development, and Western States Lodging were introduced. Paul Drake, from UTA, was also introduced.

They discussed the TOD development by the UTA front runner station.

Mike Christensen, from Thackeray Garn indicated that CHG went to another location. He reviewed, in a prepared presentation, their current plan for the proposed project (Attachment B). He noted that it is harder to finance one 12 story building than two 6 story buildings. It was also noted that the hotel may increase to 185,000-200,000 sq. ft.

Mr. Christensen reviewed some of Thackeray Garn's past projects. Nathan Ricks, Millrock Development, reviewed some of their past projects. (See Attachment B)

Councilman Seethaler asked what is the distinction between Class A and Institutional quality buildings? Mr. Ricks said the design and efficiency of the buildings, such as bay depth and window construction. They discussed a campus feel for the buildings that gives a place for the tenants to expand their business if needed. They compared this proposal to RiverPark. Mr. Ricks

said this project has more visibility. He said he can't say anything bad about the RiverPark development.

Mr. Ricks said they are hoping to start the building late 3rd quarter or early 4th quarter 2015. He noted that the parking requirement is still required at a high ratio. They believe 5 stalls per 1000 will be acceptable to the tenants; 6 stalls per 1000 is more typical. Their specialty is building quality buildings.

Mr. Ricks said the tenants that they are talking to would like to move in 4th quarter 2016. They are here today to seek support and funding for the parking structures.

Councilman Shelton asked about parking for people that are using the front runner? Mr. Ricks said that was a big consideration for UTA. They have made provisions for 400-500 stalls between the two phases. The front runner parking will share a parking lot with the office parking.

Gary Griffiths, Western States Lodging reviewed their company statistics (see Attachment B). He noted that they have partnered with Thackaray Garn on hotels. He reviewed the plans for an Embassy Suites. It will take 18 months to build the hotel, which is a full service hotel including a restaurant and adequate meeting space.

Councilman Newton noted that the circulator bus from the expo center will tie into the plans for the hotel.

They reviewed the hotel sales tax impacts: 1 percent of the 5.75 transient tax goes to the city, ½ percent goes to the state tourism, 4 percent goes to the county.

Mr. Christensen reviewed the cost of the parking structure, the return on cost and the market cap rates, as outlined in the presentation (See Attachment B).

Jason Burningham, Lewis-Young-Robertson and Burningham, reviewed a prepared presentation about the feasibility of the project from the perspective of the Redevelopment Agency (Attachment C). He reviewed the current RDA project area. He said they could ask the TEC (Taxing Entity Committee) for a waiver of the housing component.

Community Development Director Preece said his concern is that he doesn't know if the waiver is politically possible. The TEC may want to reset the base year amount. He said the County is big on the housing component, and he is leery of what may happen.

Mr. Burningham said it was contemplated that there would be bonding for the parking structure. They evaluated this from only phase one of the development. They did not assume the second phase in the initial analysis. They assumed the office buildings would be designed as contemplated. They also assumed the Embassy Suites hotel. They also recognized that there has been some incremental value in the area, though it has not been triggered by the RDA yet.

Mr. Preece said they have until 2017 to trigger this or they start losing money. Mr. Burningham said Ultradent was also considered as part of phase 1.

Mr. Preece said they borrowed money from the RDA for the railroad crossing that will need to be paid back. That project was approximately \$1 million. Councilman Newton said the net profit is going to come on property tax.

Mr. Burningham referred to a handout (Attachment D). He said they have a scenario with a housing waiver, and another scenario without a housing waiver. He reviewed the financing scenarios and cash flow in the power point presentation (See Attachment C). He said there are various options to publically finance this improvement.

Finance Director Naidu said \$1 million is just phase 1. There will likely be a higher increment. They are taking the most conservative approach.

Mr. Christensen estimated that as soon as they are done with phase 1, they will start phase 2.

Councilman Newton asked if the analysis indicates that the TIF will increase by 30 percent after the second phase? Mr. Burningham said they anticipate a 50 percent increase. By year 5, they expect the TIF to be \$1.1 million without the 20 percent for housing. It was noted that the parking lot in phase 2 is smaller than the parking lot in phase 1.

Councilman Seethaler asked in what ways does UTA benefit? Mr. Drake said first, in increased ridership. They like high density uses by their stations. He said in addition, their land would be put in a joint venture and that establishes their equity position in the development. They are not leasing the land. This is common with what was done in other TOD areas for UTA.

Councilman Seethaler asked if there are any benefits on the back end? Mr. Drake said each project is a separate LLC. UTA has a membership interest in the LLC. They will not be a manager and they have no rights to demand a cash out.

Councilman Seethaler said when the RDA was established, where was the city obligated to spend the funds? Mr. Preece said the housing funds can be spent outside the city, but it has to go towards housing.

Councilman Seethaler asked if this were set up in 2006, is it improper for the city to ask for a housing waiver? Mr. Preece said the law allows for them to do that. Mr. Smith said they can address the waiver by showing that they are allowing for low income housing.

Councilman Seethaler said he is uncomfortable asking for the waiver. He asked if this will work without the housing waiver? Mr. Burningham said there is a high level of probability that it will work, even without the waiver, provided that the leverage interest rate is efficient such as a sales tax bond. Mr. Burningham noted that the second phase may not carry the same back stop.

Mr. Christensen said without full URA participation, their return on cost drops. That means they would either need to reduce the cost of the building or the parking structure, or raise the income.

Councilman Newton said he believes they will be able to pay the debt for the parking structure, as well as the additional loan for the RDA. Then, at the end of the project, they will have higher property taxes, and they will be collecting additional sales taxes. They can pledge future sales tax revenues if needed.

Mayor Alvord asked how much time is needed to get the assurance regarding the housing money. Mr. Preece said they would have to meet with each taxing entity, which would take a month or two.

Mr. Burningham said he believes the County is supportive of TOD projects.

Mr. Christensen said Gordon Walker from Olene Walker has agreed to meet with them tomorrow. If the Olene Walker fund says no, it doesn't matter what the other taxing entities say. Mr. Burningham said he believes they will get the vote of the County from Christine Oliver. Mr. Preece said in the past, the push back has come from the County Council, not Ms. Oliver.

Councilman Seethaler said he is supportive of this proposal, if they can resolve the issues legally and morally.

Mayor Alvord asked that RDA Attorney Craig Smith meet with them at the end of the regular City Council meeting so they can ask additional questions.

Councilman Newton said he is favorable of the project at 80 percent, 100 percent would be fantastic. He feels it is worth pursuing at 100 percent.

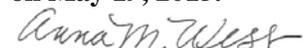
Councilman Rogers clarified that the building price for the parking structure in phase 1 is \$16 million, but they are only asking for \$11.9 million with the waiver. The developer is covering the difference. If they can't get the waiver, that gets them down to 9.5 million, and that confuses the whole calculation. If they can get the waiver, all they are asking is the tax increment for 15 years. Mr. Christensen said the big ask is that they are asking the city to pledge sales tax as a credit enhancement to guarantee the bond. There needs to be some protection to ensure the project is built. Mr. Burningham said they are enhancing the credit so they can reduce the interest. It was noted that they anticipate the tax increment can satisfy the requirement. The sales tax would be used in a worst case scenario.

Councilman Rogers said he likes where this is headed. The question now is if they get the waiver or not. Mr. Preece said the process is lengthy because they have to get staff members together and then they have to go to their bodies for a vote.

ADJOURNMENT

The May 5, 2015 City Council study session adjourned at 5:47 p.m.

This is a true and correct copy of the May 5, 2015 Council meeting minutes, which were approved on May 19, 2015.


South Jordan City Recorder