

MINUTES OF THE REDEVELOPMENT AGENCY MEETING HELD ON TUESDAY, FEBRUARY 19, 2013, IN THE DRAPER CITY COUNCIL CHAMBERS, 1020 EAST PIONEER ROAD, DRAPER, UTAH.

“This document, along with the digital recording, shall constitute the complete meeting minutes for this City Council meeting.”

PRESENT: Chairman Troy Walker, Boardmembers Bill Colbert, Bill Rappleye, Darrell Smith, Jeff Stenquist, and Alan Summerhays.

STAFF PRESENT: David Dobbins, Doug Ahlstrom, Tracy Norr, Russ Fox, Troy Wolverton, Garth Smith, Dennis Workman

1.0 Call to Order

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1.1 Chairman Walker called the meeting to order.

2.0 Action Item - Vista Station Agreement for Development of Land.

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2.1 David Dobbins said the CDA process has been underway for quite some time. There are only two interlocal agreements left to be approved. The sewer district is voting on the agreement tomorrow and the county will vote on the agreement next week. Approval of the Vista Station agreement tonight should be approved subject to the approval of those CDA agreements. He reviewed the Vista State agreement, noting it does not change the TSD ordinance or the Master Area Plan previously approved. He said the RDA and city previously approved reimbursement for half of the underpass, the property for Galena Park Boulevard, and the property for the UTA parking lot if the CDA is approved. Those costs are included as the phase 1 tier 1 reimbursements. In addition, work has been done on the site for storm water and water improvements, the construction of Galena Park Boulevard, and the underpass. He said 100% of future CDA proceeds generated from the project, including the entire CDA, will be used to pay for the costs that are already subject to reimbursement agreements. Phase 2 would include the right of way for Frontrunner Boulevard and eBay Way and for the water line to serve the project. He thinks those two items be eligible for reimbursement in the Phase 1 Tier 2. It would be done as a shared percentage with a ratio of 88% for the developer and 12% to the city until those obligations are paid off. The agreement is for 20 years and covers the life of the CDA. The cap would be adjusted subject to the final agreements with the county and the sewer district. The developer would need to submit costs to the city and agency to make sure they are eligible.

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2.2 David Dobbins noted the agreement shows the county collects the increment and distributes it to the city. The city cannot control the county. Councilmember

Summerhays expressed concern that the taxes would be lowered and the agency would be asked to reimburse them. Mr. Dobbins said the RDA pays only from the increment it receives. The developer has the right to appeal the taxable value to the county assessor. Mr. Dobbins said the agreement addresses bonding. The agency does not have a way to pay for bonds except from the increment and would be limited. At some point the agency may want to consider bonding. He noted the interest rate is lower for bonds. He said what is being proposed in the agreement is that the agency will use commercially reasonable efforts to proceed with the issuance of an initial tax-increment revenue bond for \$5 million. It also says the agency will continue to bond at different phases. Discussion was held about the obligation to bond and concerns about the payment versus revenues. It was clarified that the city is not required to back the bond. The agreement also specifies how the funds will be used. The agreement also discusses zoning requirements, access to the site, permits, land use covenants, and construction timing. He said the cap is the lower of 5% or 2% above prime. Termination of the agreement and remedies are set.

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2.3 Doug Ahlstrom said he thinks the way it is written means you will apply for bonds. It is a long and expensive process we haven't used before. Boardmember Colbert said his concern is about over-obligating and have the city make every effort to get bonds. If the area doesn't generate the income to pay for the bonds, the taxpayers are subsidizing this. Mr. Dobbins said no one will pay the agency for bonds unless they know they will get their money back. You can remove the entire bond section or make it "may" rather than "shall." Boardmember Colbert said he does not like the word "obligate." Mr. Dobbins said he sees this as the agency, not the city. Boardmember Smith said he is okay as long as we are confident that the agreement is clear it is only the agency. Mr. Dobbins added the agreement does not require bonding; it requires us to pursue bonding. He said we are already paying interest on what has been done. If some of that could be covered up front by bonds, it may save money because of a better rate. Boardmember Colbert noted the agency's only asset is the revenue from increment funding. Mr. Dobbins said his concern is that that board is comfortable with the requirement to pursue bonding. Boardmember Rappleye said it would make sense if the agreement says "may" instead of "shall." Mr. Dobbins said the developer has put millions of dollars into the project up front without knowing for sure how that would be reimbursed, so it is a huge risk. Getting eBay in has required everyone to step up the time table.

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2.4 Jeff Vitek said this is a capital-intensive project of a unique size and scale. They have been very careful to limit the obligations to the agency. They are not asking the city to obligate itself but are asking the agency to obligate itself to try. As the tax increment seasons, it won't require the credit means or the higher interest rate. This is a 20-year agreement. Municipal interest rates are lower than other rates, so they would like the agency to try to bond when it is needed. They have tried to balance interests between infrastructure and incentive for businesses and feel this is a reasonable compromise.

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2.5 Boardmember Summerhays said he is okay with the interest rate but is a little scared about the bond requirement. He is okay if we change it to “may” not “shall” to make the city attorney comfortable. Boardmember Rappleye said he agrees with Mr. Vitek’s statement, but he is concerned that it is written that way. He is okay with the obligation to try but questions what is a “commercially reasonable effort.” Mr. Vitek said “commercially reasonable effort” is the intent and he agrees it limits the obligation to the agency, not the city. Doug Ahlstrom said “commercially reasonable” is a defined term in the legal dictionary which means good faith. Boardmember Colbert said the agreement is subject to the CDA agreements. He asked if there is anything else that needs to be included. Mr. Dobbins said the agreement should be subject to approval of the two remaining CDA agreements and also include that the agency can use a portion of the funds for the water line, other incentives, and the relocation of Galena Park Boulevard north of the property. These would be in Tier Two and on a pro rata share. Mr. Vitek said Draper Holdings LLC has tried to decide the needs of the project and the community and come up with a balance. He is comfortable with Tier One and Tier Two.

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2.6 A motion was made by Boardmember Colbert to approve the agreement subject to the finalization of the applicable CDA agreements, and to include the water line, possible relocation of Vista Station Blvd, and other incentives. He said the record shows the city is not obligated but the agency will use commercially reasonable efforts regarding the bond. The motion was seconded by Boardmember Smith.

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2.7 The motion carried with Boardmembers Colbert, Smith, Rappleye, Stenquist, and Walker voting in favor and Boardmember Summerhays opposed.

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2.8 Boardmember Summerhays said he opposed the motion because he is not comfortable with the language regarding the bond if the counsel is not comfortable with it. Mayor Smith said he thinks all feel the concern and the pressure. It’s come a long ways and we are happy with it thus far. The element of trust has been building along the way. We all have a concern that the city not be obligated. Boardmember Colbert said he thinks the risk is low for the first bond. If it is a poor investment, there won’t be revenue for subsequent bonds. Chairman Walker said the project must pay for itself. It might make sense for the city to join in the bonds in the future. Boardmember Rappleye agreed the risk is low and the RDA needs to stay behind it to make it successful.

3.0 Resolution # RDA 13-07, Authorizing an Interlocal Agreement with Salt Lake County Regarding Tax Increment for the FrontRunner CDA.

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3.1 David Dobbins said this resolution authorizes another interlocal agreement for the FrontRunner CDA. This is for the county and the county’s library. He reviewed the terms of the agreement and said the county is scheduled to consider it next week. The

resolution should be subject to the county approval. He said he understands the split will be 70/30 for this agreement and they want a portion of the proceeds to go toward low-income housing in the city.

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3.2 Boardmember Colbert asked where the low-income housing would be provided. Mr. Dobbins said it would be anywhere within the city's boundaries. He noted that RDA's used to have requirements of 20% for low-income housing.

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3.3 **A motion was made by Boardmember Smith to approve Resolution #RDA13-07 subject to the 70/30 split with the county. Any change would be brought back for RDA consideration. The motion was seconded by Boardmember Rappleye.**

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3.4 Mr. Vitek suggested stating the percentage stay the same no matter what cap is on the county portion. **Mayor Smith said the motion stands.**

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3.5 **A roll call vote was taken with Boardmembers Smith, Rappleye, Colbert, Stenquist, Summerhays and Walker voting in favor. The motion carried.**

4.0 **Action Item – Second Amendment to Development Agreement with Draper Holdings, LLC.**

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4.1 David Dobbins said this is a proposal by the developer to amend the development agreement. The parties include the developer, the RDA, the city, and UTA.

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4.2 Mr. Vitek said the changes are housekeeping changes to make the development agreement consistent with the recently-approved MAP.

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4.3 **A motion was made by Boardmember Rappleye to approve the second amendment to the development agreement with Draper Holdings LLC as presented. The motion was seconded by Boardmember Summerhays.**

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4.4 **The motion carried unanimously.**

5.0 **Motion to approve Minutes of February 19, 2013.**

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5.1 **A motion was made by Boardmember Summerhays that the minutes be prepared and mailed to each member of the Redevelopment Agency Board. The Board will**

have ten days to review the minutes and submit any changes to the secretary. If after ten days, there are no changes the minutes will stand approved. If there are changes, the process will be followed until all changes are made and the Board is in agreement. The motion was seconded by Boardmember Rappleye and carried unanimously.

6.0 Adjournment

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6.1 A motion to adjourn was made by Boardmember Colbert and seconded by Boardmember Rappleye . The motion carried unanimously.