

Minutes of the Redevelopment Agency meeting held on Tuesday, January 10, 2017 at 4:00 p.m. in the Murray City Council Chambers, 5025 South State Street, Murray, Utah.

Present:	Diane Turner	Doug Hill, Mayor Pro Tem
	Brett Hales	Janet Towers, Executive Assistant to the Mayor
	Blair Camp	Jan Lopez, council Administration
	Jim Brass	Tim Tingey, Executive Director
		Jennifer Kennedy, City Recorder
		Frank Nakamura, City Attorney

Excused: Dave Nicponski

Chairwoman Diane Turner conducted and opened the meeting.

#### APPROVAL OF MINUTES

Ms. Turner stated that the minutes from the meeting on December 6, 2016 are prepared for approval. Jim Brass made a motion to approve the minutes. Seconded by Brett Hales.

A voice vote was made. Motion passed, 4-0.

#### ELECTION OF OFFICERS

Diane Turner stated that a new Chair and Vice Chair will be elected, and called for nominations for Chair of the RDA. Blair Camp nominated Brett Hales for Chair of the RDA. There were no other nominations for the position of Chair.

A voice vote was made. Nomination approved, 4-0.

Brett Hales commenced conducting the meeting and called for nominations for Vice Chair. Diane Turner nominated Jim Brass for Vice Chair. Brett Hales nominated Blair Camp for Vice Chair. Due to multiple nominations, a ballot vote was made. Jennifer Kennedy announced the results of the ballot vote, with Blair Camp receiving three votes and Jim Brass one vote. Blair Camp is Vice-Chair of the RDA.

#### SELECTION OF TAXING ENTITY COMMITTEE REPRESENTATIVES

Brett Hales stated that there are two RDA representatives on the Taxing Entity Committee. He called for nominations for representatives. Diane Turner made a motion to select the Chair and Vice Chair of the RDA to be representatives on the Taxing Entity Committee. Seconded by Jim Brass.

A voice vote was made. Motion passed, 4-0.

#### DISCUSSION ON PROPOSED DOWNTOWN DEVELOPMENT AGREEMENT

Tim Tingey provided an update on the negotiations and discussions related to the proposed development agreement. The agreement is not prepared for consideration at this time but will hopefully be ready soon. Terms are still being discussed and the developers are still identifying their interests as far as development of property in the area. They are evaluating market conditions, risk, and also the elements related to conditions required by lenders. He explained that the focus of the City is on public interest and public process and that sometimes agreeing to terms can be challenging given the different interests. Timelines are one of the biggest issues being discussed right now as the developer is hoping to process a 1031 exchange. A 1031 exchange is governed by the

IRS and involves the sale of property at one location and the acquisition of property at another location all within a specific timeframe. If the transactions don't occur within the specified time period then there are ramifications related to tax payments. These time constraints have created difficulty in the City processes.

Tim Tingey explained some of the elements that will be contained in the development agreement. He said that El Cajon, LLC is the group that is proposing the 1031 exchange, so they would be named in the agreement as the party that is acquiring some of the property in the area, primarily on the west side of State Street. The proposal for a 120,000 square foot office building on the corner of 4800 South and State Street has gone through the Planning Commission process. One of the conditions related to working with the El Cajon group is that the JR Miller Group would be the managing director of the LLC, and there must be assurances that the City will be working with JR Miller representatives and not a different entity. It is not uncommon for different LLC's to be created when entering into development agreements but staff works to ensure that the LLC is managed by the same development group that has been working on the project.

Mr. Tingey stated that another element in the agreement will relate to the 120,000 square foot office building meeting the Murray City Center District Design Guidelines, along with the mixed use proposal that is part of this project. The RDA will be able to review the design of the project related to the site, colors and finishes. Renderings showing the site and elevations will be attached as an exhibit to the development agreement. Another item that is currently being discussed is the developer's proposal to tear down the historic building that is currently owned by the Brown family. The developer has the property under contract and the proposal is going to the Murray City Center District Design Review Committee this week to obtain input. Staff members have also been reviewing the proposal, and the issue is scheduled to go to the History Advisory Board for input as well. The proposal will be submitted to the City Council for consideration, not the Redevelopment Agency, and this will be referenced in the development agreement. He explained that specific standards in the ordinance will apply to the demolition of this building, for example security on 125% of the project and additional considerations related to commercial space.

Preparing a very detailed development agreement takes significant time and RDA staff has proposed that the agreement be narrowed down to the basic elements first, with further details negotiated at a later point related to parking and taxing increment use. Tim Tingey stated that the initial development agreement is intended to facilitate the sale of the property and to make sure there are conditions in place that the City is comfortable with. The more complex and detailed elements of the agreement will be presented to the City Council at a later date. He said that it is important for each party to protect their interests in the property, so a buy-back provision has been proposed as part of the agreement in the event that a project doesn't move forward within a specified period of time. The developer also wants assurance from the City that our projects are moving forward in the area, such as a parking structure and new Fire Station, because the vision is to have multiple public and private projects. The developer is also interested in including the Brown property in the buy-back provision in addition to the property currently owned by the RDA. This issue is still being negotiated, as are issues related to acquisition of properties owned by the Murray School District in the M CCD.

Tim Tingey stated that another part of the developer's proposal is an application that will go before the City Council related to the vacation of right-of-way of Poplar Street. It is important to have some conditions in place that the right-of-way would be deeded back to the City if this development doesn't move forward. With the vacation of the right-of-way it is important that existing businesses have access easements in place. Mr. Tingey stated that another issue being discussed is the potential demolition of some of the structures on properties the City owns in order to accommodate temporary parking for the proposed office building if the timelines are not met for the parking structure. Parking is a critical component for the uses that are being proposed on this site. Another item being negotiated is the developer's request to have the City involved in relocating private utilities in Poplar Street.

The appraisal for the City and RDA-owned properties in this area provided a sales price value of a little over \$3 million, and Mr. Tingey explained that staff is proposing a reduction of that sales price by \$400,000 in order to help facilitate getting Utah State University as a tenant in the new office building. The university has expressed their interest and completed public processes related to moving to this location. The \$400,000 is an incentive for the developer because of the reduction in what the university is able to pay for rent. However, as staff has communicated to the developers, if the university is not secured as a tenant then that \$400,000 would be paid back to the RDA. The developer has expressed interest in the opportunity to keep the \$400,000 discount if other tenants are signed that are at ninety-five percent of market rate. This is another item that the parties are negotiating.

Mr. Tingey stated that one of the biggest issues for the area is parking. The RDA is working towards building a parking structure, which will meet the needs of the City, other entities in this area, and the public. This is an important component for economic and redevelopment purposes and timing for a completed parking structure is a factor. Work is underway to acquire property for the parking structure and there are issues related to eminent domain that will be discussed with the City Council. Acquisition of the UTA property will be completed in a few weeks and this is the proposed location for a new Fire Station. There are timing issues related to relocating people from the existing Fire Station to ensure that the building and parking will meet their needs. It is a complicated process and it is an important element in the negotiation of a development agreement. Staff has been working to identify if temporary parking could be accommodated for the office building while the construction of the parking structure is finalized.

In addition, as part of the narrowed down scope of development agreement, there aren't any provisions of tax increment financing (TIF). This is an issue that will be addressed at a future time and Mr. Tingey stated that he believes staff will be recommending to the RDA that TIF would be appropriate, based on what the developer generates from the area, to help pay for some of the costs of infrastructure and other elements of the project. The developer has expressed interest in an extension of the exclusive developer agreement, which is something that has been discussed previously. The exclusive developer agreement will be expiring soon and there are many things that need to be accomplished as part of moving forward with an extension. Staff is working to negotiate the agreement and hope to have a draft to the City Council for discussion at the meeting on January 24<sup>th</sup>, and then to the RDA for consideration in February.

Blair Camp asked if there have been discussions about temporary quarters for the Fire Department in order to facilitate the timing of this project. Tim Tingey stated that there have been discussions with the Fire Chief, Gil Rodriguez, about this possibility and some sharing of ideas. There are concerns from both the Fire Department and the Mayor about compromising public safety, and not impeding the response time for the Fire Department to react to emergency calls. It is a top priority to meet the needs of people in an emergency. There has been some research into temporary facilities, including some rough cost estimates, but there has not been a determination. Temporary facilities would have to meet a number of needs such as sleeping quarters and covered parking with adequate heat for the vehicles. There still needs to be additional discussion about these options.

Diane Turner stated that she is a little uncomfortable with moving this forward as it seems like we are being pushed because of the timing of the 1031 exchange. She knows that this is a complicated process, but is concerned that now there is the El Cajon LLC entity that nobody was aware of until just recently. She stated that she is hopeful that the project can work but is not completely comfortable at this point.

Tim Tingey stated that any input is welcome as staff works through these terms, and ultimately the development agreement needs to be something that the Redevelopment Agency is comfortable with because they are the decision makers. Brett Hales asked if there is going to be something prepared to present and discuss in two weeks. Tim Tingey responded that staff is working to have things prepared within that time frame in order to meet the deadline for the 1031 exchange. He said that there are still a number of things to negotiate prior to that meeting, and clarified that the proposed agreement being discussed only pertains to the property on the west side

of State Street. Jim Brass asked if they will have access to the draft in a reasonable amount of time before the meeting. Tim Tingey said that staff is working towards getting the draft completed and said that it will be provided to the RDA before they have to make a decision.

#### DISCUSSION ON ACQUISITION OF SCHOOL DISTRICT PROPERTY

Tim Tingey stated that this property is now located in the tax collection area due to the expansion that was approved recently. The property is adjacent to City Hall and currently contains two structures. As part of the downtown development process, the school district has indicated that they have interest in selling this property to the City or RDA. The issue was discussed with their board at the end of December and it was communicated that they want some conditions in place before finalizing any agreement to sell. The board is meeting again this week and there may be a decision made at that time. He stated that both parties need to ensure that they are adhering to State requirements related to the property transaction. This is an important area as part of the larger redevelopment project, and the developer is interested in having the City sell the property to them as part of the 1031 exchange. Mr. Tingey stated that he has advised the developer that there are concerns with the timing of such a property transaction as there hasn't been public buy-in related to the relocation of the City Hall at this time. Another issue, which has been discussed with the Finance Director, is where to find the capital to acquire the property because there isn't a significant amount of funds in the Redevelopment Agency budget right now due to the multiple properties that have been acquired over the past few years. This is an issue that will be discussed further and considered at a later date.

Diane Turner reiterated that she is not comfortable with being pushed related to meeting timelines with the 1031 exchange. Tim Tingey commented that the Mayor has expressed concerns about the timelines on the 1031 exchange as well. He stated that efforts are being made to meet the timelines related to the 1031 exchange on the properties to the west because there are timing issues related to the proposed office building that are really important. He said that our gold standard is process, and that following the correct process is important for both the City and the public. Ms. Turner said that she really wants this to be done right and that this is an important project for our City. She thanked Tim Tingey for protecting the interests of the City throughout this process.

#### DISCUSSION ON SALE OF PROPERTY TO INTERMOUNTAIN HEALTHCARE

Tim Tingey stated that this issue was discussed a few months ago and showed the location of a bridge that Intermountain Healthcare has built across the creek to connect the Intermountain Medical Center to a parking area near State Street. It was discovered that the bridge was constructed on property owned by the RDA, and is a parcel that is discussed each year due to environmental issues related to the old Quality Oil site. The RDA owns a long strip of land that runs quite a distance down the creek, which was purchased a long time ago as part of the cleanup of the Quality Oil site, and IHC is now requesting to purchase the portion of property where they built the bridge. They have provided terms related to the acquisition of that property and have had the property appraised. The appraised value is \$100,000 and has been clearly defined with a legal description. Mr. Tingey stated that they are not interested in buying the entire parcel, only the portion that contains the bridge and abuts their parking lot. The property has been challenging as it is not usable due to environmental issues and the RDA is responsible for remediation of the site, which involves monitoring groundwater on an annual basis and reporting to the DEQ. He said that he has talked with DEQ about any implications if a portion of the property is sold and was advised that they would still consider the RDA responsible for ongoing remediation. Mr. Camp asked if the proceeds from the sale would then be used for ongoing remediation of the site. Tim Tingey agreed that he would recommend using the funds for the ongoing costs of monitoring the wells and testing the groundwater. He asked if there were any concerns about the terms outlined by IHC. The RDA board did not express any concerns. Frank Nakamura stated that an agreement hasn't been drafted yet. Tim Tingey stated that if the terms are agreeable then IHC will proceed in drafting the agreement and forward it to the RDA for approval.

There were no additional items for discussion.

Meeting adjourned.

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B. Tim Tingey, Executive Director