

Minutes of the Redevelopment Agency meeting held on Tuesday, August 22, 2017 at 3:30 p.m. in the Murray City Council Chambers, 5025 South State Street, Murray, Utah.

Present: Brett Hales Janet Towers, Executive Assistant to the Mayor
 Jim Brass Jan Lopez, Council Administrator
 Diane Turner Tim Tingey, Executive Director
 Jennifer Kennedy, City Recorder
 Frank Nakamura, City Attorney
 Citizens

Excused: Mayor Eyre
 Dave Nicponski
 Blair Camp

Chairman Brett Hales conducted and opened the meeting.

APPROVAL OF MINUTES

Jim Brass made a motion to approve the minutes from the meeting on May 16, 2017. Seconded by Diane Turner. A voice vote was made. Motion passed, 3-0.

CONSIDERATION OF A RESOLUTION FOR THE 2017 – 2018 BUDGET

Tim Tingey stated that the Redevelopment Agency budget has been discussed over the past few months and has completed the hearing process. He explained that each year the RDA considers a resolution to approve the budget, which is then submitted to all of the taxing entities. The agency funds are accounted for separately than the funds of the community that created the agency, meaning separate from the Murray City funds. A resolution has been prepared that outlines the budget amounts for each of the redevelopment areas for the upcoming fiscal year, totaling \$1.8 million for all five of the redevelopment areas. Mr. Tingey stated that the total amount is significantly less than last year because a considerable amount has been spent over the past year for property acquisition, specifically in the Central Business District. He recognized Frank Nakamura and his office for working to prepare the resolution and stated that staff is recommending approval.

Diane Turner made a motion to approve the resolution for the 2017 – 2018 budget. Seconded by Jim Brass.

Call vote recorded by Jennifer Kennedy.

 Jim Brass
 Diane Turner
 Brett Hales

Motion passed, 3-0.

DISCUSSION ON THE ORE SAMPLING MILL COMMUNITY REINVESTMENT AREA PROPOSAL

Tim Tingey stated that the proposed Ore Sampling Mill Community Reinvestment Area has been discussed in detail over the past few months. There have been some recent modifications to the proposal that he would like to review and obtain direction from the board. Staff has met with all of the taxing entity committee (TEC) representatives about the proposal. The State School Board and Murray School District have provided direction to their representatives to vote for approval of the proposal. Staff has spent significant time working with county

representatives, specifically their staff and subcommittee members. The subcommittee then provides a recommendation to the county council. County staff has had conversations with Mayor McAdams and subsequently requested that we reconsider some elements of the proposal. Mr. Tingey presented some maps showing the boundaries of the area and stated that nothing has changed related to the number of years to collect. Details related to the blight study have also been discussed with the taxing entities.

Mr. Tingey stated that staff has compiled cost data from the individuals working to develop the Ore Sampling site as well as the City engineering division and added the information to the proposal. He explained some of the anticipated costs, such as a potential pedestrian bridge over the railway and infrastructure enhancements for water, sewer and storm drain upgrades. There will also be expenses for a street overlay on Commerce Drive between 5300 South and Anderson Avenue, property acquisition for demolition on multiple sites, and environmental site and structural remediation which is a very important element. The cost projections total \$8 million although it's possible that they could be higher, which is helpful information to present to the county council. Mr. Tingey stated that the original proposal included a 10% housing allocation rather than 20%, but Mayor McAdams and his staff have indicated that they will not support that. Therefore, staff is requesting direction from the board on proposing 20% for housing because the county feels this is a priority and is very important for the whole valley. He explained that we had originally proposed only 10% because the amount of increment that will be generated in this area is not significantly high. Mr. Tingey discussed this issue with Mayor McAdams and he stated that there will not be county support unless the proposal contains 20% housing, however with the 20% he indicated there would be support in moving this forward to the county council for direction to their taxing entity representative. Mayor McAdams also was supportive of the taxing entity committee process in this situation as we have made effective arguments meeting the "but for" analysis with the blight study. Mr. Tingey stated that even with 20% housing, the proposal will still be beneficial and the City will still collect a significant amount of increment to help with project costs. Staff is seeking direction from the board related to the change to 20% housing before staff moves forward with the proposal. He stated that the cap of \$8 million remains in place.

Diane Turner asked how we would implement the 20% housing. Tim Tingey stated that it would be addressed in the budget as part of the proposal and explained that the amount would be set aside from any tax increment financing that's collected for the area. There is a budget line item for low-to-moderate income housing and the funds can be used for that purpose, likely through our partnership with NeighborWorks Salt Lake. Brett Hales stated that this results in 10% less to put towards project costs. Mr. Tingey stated that he would like direction from the board in order to move forward with going before the county council in September. Lastly, he said that staff has met with the individual that represents the smaller taxing entities and has gained their support of the proposal.

Jim Brass stated that the RDA has been working on this project for a long time and we need to move forward. He is also supportive of using the funds to support NeighborWorks. Ms. Turner and Mr. Hales stated that they are in agreement of moving forward with the proposal.

DISCUSSION OF SECURITY NATIONAL REQUEST FOR CREATION OF A COMMUNITY REINVESTMENT AREA AT APPROXIMATELY 433 ASCENSION WAY

Tim Tingey stated that this item was discussed at a prior meeting where it was agreed that the issue would be reviewed in more detail before the RDA makes a decision on moving forward with creating a Community Reinvestment Area (CRA). He said that it has been interesting to go through this process recently for the Ore Sampling Mill, which is an area that is a classic case of blight, and the scrutiny that has taken place. There was significant pushback from the taxing entities and he anticipates that intense scrutiny will continue. Staff recently met with representatives from Security National to talk about their proposal and they are present at this meeting to share some information with the board.

Mr. Tingey stated that there are three issues that the Redevelopment Agency needs to consider as these discussions take place. He explained that a proposal to establish a CRA has to be pushed forward by the RDA, and without blight findings the process will require meeting with representatives of the taxing entities and negotiating individual agreements with each of them. The City would have to make very sound arguments supporting the proposal as the taxing entities will ask tough questions and it is difficult to win their support. There is extreme scrutiny of redevelopment areas, particularly at the county level, which can cause problems in the negotiations with taxing entities. He explained that the RDA has to be comfortable with the data that is presented and in understanding that political capital will be expended if we move through this process. The second issue relates to the “but for” analysis, which needs to be specifically and clearly addressed because the taxing entities are giving away tax dollars for these projects. Keeping in mind that the increment is paid for fifteen or twenty years, the taxing entities are going to be very particular about the types of projects they consider. Mr. Tingey stated that the school board is already concerned about existing redevelopment areas and the amount of funding that they are not receiving for educational purposes. The third issue relates to understanding whether there are site limitations, which is an item that Security National representatives will be talking about today, specifically related to building parking structures. He said that the Redevelopment Agency must be comfortable making a recommendation to move forward and suggested that providing information to show that the project would bring jobs into the Murray would be helpful. This doesn’t include relocating jobs that are already in Salt Lake County, rather it means those outside the county, or the best case scenario would be from out of state. He recommended not moving forward with a CRA until the board is comfortable with the data and there is a defensible argument to be made supporting the proposal.

Scott Quist thanked the board for allowing him to present and stated that he is the Chief Executive Officer and Chairman of the Board of Security National Financial. He provided a brief history of Security National, stating that since his father formed the company in 1965 they have grown to have 1,600 employees. Their offices have been in Murray since 1983 and it is a publicly held company with his family being the principal shareholders. They have continued to purchase land near 5300 South and I-15, where they now own about twenty-five acres, and they have always had intentions to construct a Class A office park. He stated that one building has been constructed, however, there is such high competition in the market that the additional buildings won’t be constructed here because other municipalities are offering incentives that reduce costs of construction and result in reduced rental rates. Mr. Quist provided an example of a hospital staffing company that was interested in the Security National site in Murray but instead located at the View at 72 because the rent there is about 10% below what they could rent for here. He said that the question Murray needs to ask is whether we want these high paying jobs to be located in our city. Tenants that pay \$26 to \$28 a foot for rent are paying a different wage than companies that lease for \$12 to \$16 a foot. He stated that they didn’t embark on this project thinking that they would need help to continue but the market is competitive. Currently, they plan to start filling the existing building with their own company operations and have leased about 30,000 feet to other tenants. He asked if the City wouldn’t prefer to see an office park that would attract outside tenants, stating that the City talks about proposed future development that might happen, but this project is happening now and it may slow down or even stop without a little help. Mr. Quist stated that they would like to be a good partner with Murray and see the development succeed. There is a competitive market along the I-15 corridor and Murray is playing second fiddle because it doesn’t offer subsidies and also because Murray’s amenities are simply not on par with what other sites have to offer. He said that when tenants are looking to lease space they ask about nearby places to have lunch and are told that they have to drive to different locations. It is hard to sell the location because of lack of amenities and the higher lease rates. Mr. Quist stated that they are asking for a little help and would appreciate the City’s support.

Ed Waldvogel stated that he’s also representing Security National and provided some additional comments on the points raised by Mr. Tingey. He said that the county and Board of Education want reassurance that this project isn’t going to cannibalize, rather that it will pull in businesses from other counties. Secondly, they want to ensure that this project is unique within Salt Lake County. Finally, they want to understand the “but for” analysis, that

without this funding the project cannot proceed. He presented slides giving an overview of Center 53 and explained that this is a Class A office campus with up to a million square feet proposed. It is centrally located in Salt Lake County and the asking lease rate will be \$30 a square foot. One of the great things about this project is how Murray is centrally located and this is a focus in the marketing materials being provided to future tenants. Salt Lake County's mission is to attract, retain, and grow business and this project will help to accomplish that mission.

Mr. Waldvogel shared data stating that Murray and the surrounding communities have the highest population age of twenty to sixty-four, which is the working age. It's higher than Farmington in Davis County and also higher than Thanksgiving Point in Lehi. This is important for big companies that are seeking employees. Murray and adjacent cities also have a population with higher education levels than these other communities, and Pluralsight is interested in Murray because of these reasons. He said that Pluralsight is what is considered a unicorn; it is a privately held company based out of Farmington and is valued at over a billion dollars. Currently they are located at Farmington Station and want to relocate to a campus setting, which is another benefit of this proposed project. This would be the only large campus with over 450,000 square feet that Salt Lake County has to offer. Mr. Waldvogel stated that another business they would like to retain is 3M, which is currently located in Murray and looking to expand. Businesses like these care about having a large pool of qualified applicants nearby and locating in a campus setting where they can grow. Another factor is cost, which is important to businesses and very competitive. Parking is the primary factor when considering costs because surface parking is less expensive to build than parking structures, but there's not enough area for surface parking in dense development. He stated that surface parking costs \$2,500 per stall whereas parking structures cost \$16,000 per stall. Thanksgiving Park is over 850,000 square feet on fifty-five acres, while this proposed project would be a million square feet on twenty acres, which is much denser. This volume would attract large tenants to Murray and enhance its tax base, however, because Security National would have to build parking structures they would have to ask for a higher lease rate of \$30 a square foot. Mr. Waldvogel explained that Security National is a publicly traded company and have certain return requirements that must be met. He said that they are competing with Utah County and other areas that have rates of \$24 to \$27 a square foot. They have reviewed the property tax data and anticipate that this project will be about \$219,000,000 in taxable value, meaning that revenue for the City would be \$414,000.

Mr. Waldvogel summarized his points, stating that Salt Lake County cares about providing a unique project and a true campus with over 450,000 square feet and that they care about bringing jobs here from outside the county. They also care about the "but for" test, which this proposal meets because without the ability to offset the cost of a parking structure then the product cannot be competitive in this market.

Mr. Tingey stated that he appreciates Mr. Quist's comments about wanting to keep high paying jobs in Murray and that is something all of us strive for. The City would also like to see the site redeveloped with potentially a million square feet of campus office space. He commended the work that has been done to this point and agrees that it is very important to build parking structures and not create a sprawling parking area. He said that jobs have been taken out of Murray previously, and when staff discussed the issue with the county they indicated that there will not be support for projects where this occurs. This is why it is important to emphasize going outside of the county and even the state to recruit for jobs because the bottom line is that the project won't gain the county's support otherwise. Additionally, it is important that the data provided is on point related to new jobs because if there are errors Murray will lose political capital through this process. He stated that we need to have more time to review the data on the companies that are being recruited before really committing to taking the proposal forward. Mr. Tingey stated that he met with a company yesterday that has interest in locating at this site and they expressed appreciation for all of the amenities in Murray like Fashion Place Mall and our eating establishments. He understands that there might not be many restaurants in close proximity to this site but there are many places throughout the city. Diane Turner asked when there will be data provided or more specific information related to the issue being discussed.

Marc Lloyd, Managing Director of NuTerra, stated that his company has been engaged with Security National on the development and leasing aspects of this project. NuTerra previously developed Union Park Center in Cottonwood Heights, which contains a million square feet of Class A office space. Regarding cannibalization and data, Mr. Lloyd stated that a sampling of data was provided to staff today. He said that Pluralsight is in Davis County and that Murray and Lehi are the two attractive options to them for relocation, making competition difficult due to pricing. He explained that their target market is tech companies and they have expended considerable money and effort to highlight the benefits of locating centrally in Murray and drawing people from three different counties. Mr. Lloyd stated that when it's a question of deals that are in active negotiation there is not cannibalization because one county will win over the other, and cities and counties compete just like private businesses do. It is important to create a national draw for this center and it is important for Salt Lake County to realize that this is the development to lure companies that are trying to decide between two counties. There are not locations in Salt Lake County that have significant amounts of square footage available, making this an ideal location for sizeable companies seeking growth of high paying jobs. The issue is competing with lower lease rates, and the county needs to recognize that projects that will draw tech companies into Salt Lake County need their support.

Diane Turner stated that this project sounds good, but there has to be specific information for us to take to the county. The RDA has gone through this process previously and it wasn't easy because we have to provide supporting information and statistics in order to sell them on the proposal. Mr. Lloyd asked if a matrix showing how much square footage and jobs are being absorbed in Utah County rather than Salt Lake County would be helpful. He said that this location needs to be considered a viable alternative in Salt Lake County for companies who are locating to Utah from out of state. Mr. Tingey responded that this type of information would be helpful, and he acknowledged that some information had been sent to him just prior to this meeting which he hasn't had an opportunity to review. The more information we have the better, specifically if it shows that jobs are going to places other than Salt Lake County.

Diane Turner stated that it sounds like we are not ready to move this forward. Blair Camp stated that 3M has been mentioned a couple times, and when they constructed their building they included a parking structure for convenience and closer parking. He asked if tenants are not willing to pay a premium for the convenience of closer parking. Mr. Lloyd stated that 3M has the same geographic constraints as the Center 53, and infill development is costlier to assemble property and create the necessary density. He said that if they only build 300,000 square feet then it will not be a site that draws businesses from Utah County or out of state. The Union Park Center is an example of how they started small but had a big master plan with a million square feet. They incubated their existing tenancy into larger and larger spaces and that was how the project became successful. He said that tech companies are really honed in on who their development partner is, who will be their landlord, and what the long-range plans are for the area. They scrutinize the project because they want to be sure that they can gobble up another 100,000 to 150,000 square feet if needed. Blair Camp stated that he's glad to hear that their prior projects are half full rather than half empty. He said that he needs more information to be convinced that the taxpayer is the one that needs to make up those margins.

Frank Nakamura stated that today is not the time for a decision, but the Chair can decide to agenda this matter which would initiate the process. There is a process that must be followed and formal action that needs to be taken. He said that this discussion has been informative, but it is up to the Chair, in consultation with the Executive Director, to decide whether or not to agenda it or whether they need more information. The RDA board agreed that they want additional information and will consider putting the matter on a future agenda after more information is submitted. Brett Hales thanked the developers for their presentation.

Meeting adjourned.

B. Tim Tingey, Executive Director