

Minutes of the Redevelopment Agency special meeting held on Tuesday, November 6, 2017 at 3:30 p.m. in the Murray City Council Chambers, 5025 South State Street, Murray, Utah.

Present:	Brett Hales	Blair Camp, Mayor
	Jim Brass	Janet Towers, Deputy Mayor
	Dave Nicponski	Jan Lopez, Council Administrator
	Diane Turner	Tim Tingey, Executive Director
	Pam Cotter	Jennifer Heaps, Administrative and Development Services
		Frank Nakamura, City Attorney
		Citizens

Chairman Brett Hales conducted and opened the meeting.

DISCUSSION AND DECISION TO ACCEPT AN ASSIGNMENT OF A PURCHASE AND SALES AGREEMENT PROPOSAL TO ACQUIRE THE PROPERTY AT 4836-4844 S. STATE STREET IN MURRAY CITY, UTAH

Tim Tingey provided a brief background on this issue stating that there is an exclusive developer agreement with J.R. Miller Enterprises for the downtown area. Over the past couple of years, the developer has put properties under contract for future development in the area and one of the properties that they currently have under contract is the DAR Enterprises property. He stated that this property is located just south of 4800 on State Street and is adjacent to property owned by the RDA and City. This parcel is a little less than half an acre and the existing building is approximately 19,000 square feet. The building contains lower level commercial space of about 7,000 square feet, and approximately 18 apartments in the upper two levels. He explained that this building is in the Murray City Center District (MCCD) and is a designated historic building, so any renovations of the building must meet the standards of the MCCD ordinance. Photos showing the building and the parking area were displayed.

Mr. Tingey stated that within the last two weeks the developer contacted him to advise that this property is under contract to purchase, and the contract has been extended multiple times. It is due to close on November 11th but the developer has expressed concerns about acquiring the property because they haven't gone through the process to determine how they would develop the site and are concerned with the risk of purchasing the property. Therefore, their realtor has asked if the RDA is interested in acquiring the property and if so, the contract can be assigned, which has occurred in the past with other properties that have been purchased. He said that today staff received the purchase and sales agreement but it didn't include the extension documents. Because this information was received on such short notice the City's due diligence processes would be very challenging. Staff has obtained a preliminary appraisal to determine the value of the property, and the price appears to be in line based on the appraisal valuation. Staff also obtained the environmental report today, and although there doesn't appear to be any major issues with the property it will take time to review the 500-page document.

Tim Tingey stated that the City owns all of property on this block except for this particular parcel. It would be beneficial to own the property because if there is redevelopment or new development proposed in the area then the City controls the land and it would require the developer to collaborate with the City. Alternately, if there isn't anything proposed on the property, it would just stay as it is now and probably deteriorate even more because the property owner hasn't invested in it over the last year. He said that a benefit of owning the property would be that as the City develops in this area, it would be important to control redevelopment integration of this parcel with the rest of the block. He said that improvements could be made to the whole property with new development in the long term that could integrate well. There is also the possibility of enhancing housing if the City acquired the property and retained the building, creating better housing units.

Mr. Tingey stated that there are drawbacks related to purchasing this property as well, the most notable being the short due diligence period and not having sufficient time to review the documents. He said that if the City acquires the property but doesn't have any particular plan for it, then we become owners of a property that has deteriorated significantly and will require investment. Other issues to consider are where the funds will come from for rehabilitation of the building and who our potential partners could be in this process. He said that the cost to rehabilitate historic buildings is significant and there is a lot of research to be done on costs for this type of project. However, it is important to keep in mind that there is a risk if we don't assume the contract because the property owner has indicated that they will not extend the agreement any longer. That means the City would lose the opportunity to purchase the property at the currently agreed-upon price, and if we tried to renegotiate the sales contract the price could increase. Tim Tingey stated that the cost to purchase this property is \$1,294,500, with additional fees that we don't yet know, and a \$25,000 relocation amount that is built into the contract, bringing the total to \$1.33 million. He said that this has been discussed with the City Finance Director and there are funds available to acquire the property from some bonding that the RDA has done. However, if the funds are used for this purchase then we would have to find funding for some of the other properties that we are working to acquire.

Tim Tingey made a recommendation that the RDA request an extension of the contract for additional time to complete due diligence. He suggested that the RDA try to negotiate at least another two months if possible to allow time to work through the due diligence process and determine what we would do with the property. He believes that the due diligence process is very important because there are so many unanswered questions.

Diane Turner asked why the RDA is getting this information with such short notice. Tim Tingey stated that he doesn't know the answer to that question beyond that the realtor contacted staff about two weeks ago. He said that they were probably not thinking about what they were going to do until a couple of weeks ago, which is something that has happened many times before during the City's relationship with the developer.

Dave Nicponski asked if we are going to demolish the buildings on State Street. Tim Tingey stated that the buildings owned by the City and RDA to the south of this parcel would likely be demolished in the long term. They are not historic buildings and there isn't significant value in keeping them. The current building being discussed does have historic value. Dave Nicponski asked if you can demolish historic buildings. Tim Tingey replied that a request for demolition would have to go through a process with the Planning Commission, and ultimately the City Council would have to weigh in on the decision. It is possible to demolish historic buildings if the process is followed. Dave Nicponski stated that if we engage in a vision for the area then he doesn't want a property like this dragging us down. Mr. Tingey said that in the past there has been discussion about incorporating the building into a new development in some way.

Pam Cotter asked if there was a fire in this building a few years ago. Tim Tingey stated that it was the building adjacent to it, which was called the Hoffman building and was owned by the Redevelopment Agency and City when the fire occurred. It gutted the building, and due to significant building code issues, the structure was demolished after going through a process to do so. Ms. Cotter asked if it will cost more money to make the building into an apartment complex if the RDA acquires it. Mr. Tingey agreed that it will absolutely cost more and if the RDA owns the building we would need to work towards significant rehabilitation if we plan to retain it. Ms. Cotter asked if it would be for families to live in or apartments. Tim Tingey said that right now there are apartments and they are mostly small units with one bedroom and a few units with two bedrooms. They are not suitable for families as they are designed now, and there would have to be walls removed if there was a desire to create larger units.

Mr. Nicponski asked if it costs less to demolish than to rehabilitate. Mr. Tingey said that it would cost less, and shared that he once had a historic architect tell him that to determine the cost of rehab you should get three bids, add the three bids together, double that number and the final total is usually your cost.

Ms. Cotter asked if we demolish this area what the future plans are. Tim Tingey responded that there is a significant process related to demolishing structures and the Council must weigh in. The vision for this whole area includes a variety of uses such as public and city facilities, buildings with lower level commercial and possibly upper level residential, and office buildings. Dave Nicponski stated that it doesn't meet the vision of what we are trying to accomplish in this area to leave this building standing.

Diane Turner stated that it is concerning that we have such a short period of time that doesn't allow for sufficient due-diligence. She asked if there's a possibility that an extension would be granted. Mr. Tingey replied that we could request an extension if there is real interest in considering acquisition of the property. If so, staff can pursue requesting an extension and begin working on due diligence matters. He requested direction from the board on whether there is interest in spending over \$1.3 million on this single acquisition, and if they want staff to request additional time knowing that there is no guarantee it will be granted. If the property goes out of contract, there may still be an opportunity to negotiate on our own in the future.

Jim Brass said that this becomes a multiple-choice question, and this particular parcel is a large portion of the middle of the block. In previous discussions a few years ago there was a parking structure proposed with buildings all around it. If the City ever revives that plan there would be a big hole in the middle of the project. He said that he doesn't like being in a position of having to make a multi-million-dollar decision in only three days. He feels inclined to let the contract slide and try to negotiate later. An extension of time would make it easier, but the environmental report is so cumbersome that just getting through that will take a while. Dave Nicponski asked how much funding is available right now. Tim Tingey said that we have close to \$1.5 million available for acquisition of properties.

Frank Nakamura stated that we do not have the documents that reflect the extensions although we've been told that there are multiple extensions. We are assuming that there's a valid agreement but don't have a copy of it. There is an agreement that was originally signed in March of 2016, and we don't know if there are signed extensions or if anything was paid for each extension. He said that we do have the limited appraisal, the Alta survey, a title report and a phase one environmental; however, we haven't had the opportunity to look over these documents. Tim Tingey stated that the documents we have received are being distributed to the board at this meeting. Frank Nakamura said that the purchase agreement was received on Friday, while the phase one environmental, Alta survey, and the preliminary title report were just received a few hours ago. Additionally, there are commitments made in the agreement regarding leases, and we don't know the details of the leases or whether they have notified the tenants or attempted to vacate some of those on the premises. There are many unknowns in this purchase agreement, and to evaluate this information and be ready to close on the purchase in three or four days is going to be difficult.

Dave Nicponski stated that we would need two months. Tim Tingey stated that we would negotiate to get as much time as we can, but it would definitely need to be more than a few weeks. Dave Nicponski asked Tim to show the proposed City Hall location on the map. Mr. Tingey pointed out the general area of where a new City Hall could be located and stated that there hasn't been a final determination at this point. Staff is working on some different scenarios for the area.

Jim Brass said that if it comes down to deciding today he would prefer to wait. Frank Nakamura stated that there have not been discussions or decisions on historic preservation or whether we are going to demolish or preserve any buildings in the downtown area.

Mayor Camp stated that there is one other option that hasn't been discussed. The JR Miller group has offered to go ahead and purchase the property now if the City would agree to purchase it in the future at a negotiated interest rate in the event that a project doesn't move forward. This scenario is really the same thing as buying it today with

no due diligence, which the Mayor is not recommending, but it's important for the record to reflect that this option was presented by the developer.

Jim Brass asked how long of an extension we would need for due diligence. Tim Tingey responded that it's difficult to state an exact time period, but we do need to request an extension in order to complete the due diligence process.

Jim Brass made a motion to negotiate for an extension of the contract up to three months, and if we cannot extend the contract then we let it expire. Seconded by Dave Nicponski.

Call vote recorded by Jennifer Heaps.

A _____ Dave Nicponski

A _____ Jim Brass

A _____ Diane Turner

A _____ Brett Hales

A _____ Pamela Cotter

Motion passed, 5-0.

Meeting adjourned.

B. Tim Tingey, Executive Director