

Minutes of the Redevelopment Agency meeting held on Tuesday, June 20, 2017 at 4:00 p.m. in the Murray City Council Chambers, 5025 South State Street, Murray, Utah.

Present:	Brett Hales	Mayor Ted Eyre
	Jim Brass	Janet Towers, Executive Assistant to the Mayor
	Blair Camp	Tim Tingey, Executive Director
	Dave Nicponski	Frank Nakamura, City Attorney
		Jan Lopez, Council Administrator
		Jennifer Kennedy, City Recorder

Excused: Diane Turner

Chairman Brett Hales conducted and opened the meeting.

CONSIDERATION OF A FOURTH AMENDMENT TO THE DEVELOPMENT AGREEMENT BETWEEN FIRECLAY INVESTMENT PARTNERS AND THE REDEVELOPMENT AGENCY OF MURRAY

Tim Tingey stated that this is a proposed fourth amendment to the participation and development agreement with Fireclay Investment Partners related to their redevelopment project in the Fireclay area. The project contains 668 residential units and 6,000 square feet of commercial space. This proposed amendment contains a number of components with the first being reimbursement of funds as discussed in the original development agreement and prior amendments. Mr. Tingey stated that there have been numerous concerns with this development that have been discussed previously regarding parking around the site, the volume of police calls and questions about the commercial space being filled. As part of the negotiation process for this amendment, staff has been able to mitigate many of these concerns and are now comfortable in recommending authorization for reimbursement of the past three years' worth of tax increment financing proceeds, which is 78% of the increment defined in the agreement, and totals \$672,572. Additionally, there will be \$200,000 that the City will retain to address some of the parking concerns in the area.

Tim Tingey said that staff met with the developer related to items contained in the original agreement that needed clarification, and the updated agreement showing those changes has been provided to the board. One of the provisions relates to designating that the future work for parking adjustments will be done in the right-of-way. Additionally, future reimbursement amounts have been defined and include both the principle and interest amounts. Lastly, the changes include the assignment of the agreement to an affiliate of Timberlane Partners called Murray Holdings, LLC. Documentation has been provided in the agenda packet showing that Timberlane headquarters are in Seattle and they are active in the Salt Lake market, with other projects all across the country. Staff believes that this assignment is very appropriate at this time and that they will be a good partner to have involved in this project. Mr. Tingey reiterated that the three components of the amendment are reimbursement of funds, future reimbursement amounts and assignment of the agreement. Staff is recommending approval of the fourth amendment including the changes that have been documented and discussed.

Brett Hales asked if there are any questions related to this item. Frank Nakamura stated that Dave Nicponski has arrived at the meeting and requested that Mr. Tingey outline the elements that were just discussed. Tim Tingey briefly reviewed the items contained in the fourth amendment to the development agreement.

Dave Nicponski asked if we are creating more parking or eliminating some parking areas. Tim Tingey responded that the changes relate to creating more parking and that staff will be bringing forward a proposal to the Planning Commission, RDA and City Council for some modifications to our ordinance. Staff is looking at some changes to the right-of-way areas to allow additional parking, although we don't want to compromise the landscaping elements. If the City Council approves the proposed changes to the Transportation Master Plan then staff will

move forward with using the \$200,000 to make the parking improvements. Dave Nicponski asked if this is specifically in the Fireclay area or if it would affect the whole city. Frank Nakamura stated that it would affect the TOD area, which Mr. Tingey clarified is the Transit Oriented Development area. Frank Nakamura stated that Timberlane will not be providing property and the City will be implementing these parking improvements in the existing public rights-of-way.

Jim Brass made a motion to adopt the fourth amendment to the development agreement between Fireclay Investment Partners and the Redevelopment Agency of Murray. Seconded by Blair Camp.

Call vote recorded by Jennifer Kennedy.

A _____ Brett Hales

A _____ Blair Camp

A _____ Dave Nicponski

A _____ Jim Brass

Motion passed, 4-0.

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

Brett Hales invited Tim Tingey to begin this discussion. Mr. Tingey stated that Security National is located on the north side of 5300 South and west of I-15. They have made a significant investment into constructing an office facility and parking structure, and have future plans for additional buildings in this area. It is exciting to see this project in the City. He said that there have been many conversations over the years about creating a redevelopment area at this location, which Security National has requested. Representatives of Security National are present to provide information to the board about the creation of a new area and answer any questions they may have.

Nathanial Wayman expressed appreciation to the board for allowing some time to discuss this issue. He said that Security National will have a certificate of occupancy this week for building one, which consists of 200,000 square feet of class A office space. He stated that Security National is a well-kept secret in the state, that they are a publicly traded company and have been since 1987 when they began on the NASDAQ stock exchange. He explained that they have three specific lines of business, and currently hold assets of over \$854 million and revenues over \$307 million. Security National Life provides insurance policies that are final expense benefits, with relatively small face values of \$4,000 to \$6,000. They are created solely for people that don't want to leave the expense of their deaths to their children. He stated that the company consistently writes policies across 38 states with the top five being Texas, Mississippi, Louisiana, Utah and California. Mr. Wayman explained the process of reinvesting premiums for profitability. The second line of business is mortgage banking, which has grown over the last several years after the company restructured following the downturn in real estate a few years ago. Security National has become more of a retail focused mortgage bank and operates across the United States with over 134 branches in 44 states. The third line of business is the cemeteries and mortuaries division, which owns a major portion of the cemeteries in the Salt Lake Valley under the name of Memorial Cemeteries and Mortuaries. They also operate in California and are currently in the process of acquiring two more cemeteries in Oregon.

Mr. Wayman stated that there are 1,700 Security National employees nationwide, with 729 of them based here in Utah and 277 of those located here in Murray. The company office and headquarters building is located in Murray, where they have planned to redevelop for many years, and they hope to add an additional 300 employees as they consolidate operations into the buildings they are constructing near 5300 South and I-15. A PowerPoint

presentation was given containing a visual representation of what the Security National development is proposed to look like in the future. The Taco Time and other existing buildings that currently occupy the 17-acre development parcel will be demolished with the intent of developing a million square feet of Class A office space, which is in short supply in Murray. He said that there are a few Class A buildings in the City but not any large office parks with this type of product available. The main road that runs through the center of the development is intended to create an urban environment in a suburban market. The buildings are proposed to face each other, creating a very walkable area with a lot trees and landscaping to create a park-like setting. The parking structures will be located on the outside of the development rather than in the middle, where they are commonly found, in order to make the area more attractive for the person that lives and works there.

Mr. Wayman provided examples of similar developments. The River Park office development in South Jordan has been very successful and contains a million square feet of office space. That project is on 33 acres of land, allowing for vast parking lots, whereas the Security National project will be on approximately 17 acres of land. Murray City doesn't have that much open land so parking structures are a necessity. He explained that an average street surface parking stall costs about \$5,000 to build and develop, while the average parking stall in a parking structure costs about \$16,000. The parking issue is an obstacle for this development project. Mr. Wayman stated that the development would be a true Class A office park and is self-funded by Security National. The company has been in Murray for a very long time and intend to be here for the next hundred years. He reiterated that this is a family owned business, and said that they are investing into this project to build something better and high quality, which will have a huge return for the City and its citizens.

Mr. Wayman stated that there are three ways that Security National can proceed from a development stand point. First would be to fulfill the vision that was established from the beginning and is the preferable option, which is a million square feet of Class A office space. Second would be to scale back the development plan because of the cost associated with parking structures, which makes it very difficult for the development plan to pencil and be competitive in the market. He pointed out six buildings that were built in the last few years or are currently under construction, stating that the asking rental rates associated with each of these ranges between \$26.50 to \$28.50. The proposed project will be competing with other developments that lease in the \$28.50 to \$29 range. In order to build the structures as proposed they would need to lease them at \$30 a square foot. It has been difficult over the past year to compete at this lease rate and attract tenants away from Sandy and other areas of the valley. One way to make the project more competitive is by decreasing costs associated with building parking structures through a partnership with the City. Mr. Wayman introduced Bob Springmeyer to discuss additional details related to this proposal.

Bob Springmeyer stated that he is with Bonneville Research. He stated that Security National needs a partner if they are going to develop Class A office space. The proposed project area is a CRA, with a fifteen-year term and a 25% pass through. He explained that the City would participate in receiving increment as soon as it is generated. There will be a 10% set aside for housing and a minimal 2.5% administrative fee. He stated that there are two options, the first being that Security National proceeds without partnering with the City and seeking TIF. If this occurs, Security National will likely build 400,000 square feet Class B office space, which doesn't include structured parking, and the estimated taxable value would be about \$60 million. The other option, if the City decides to partner with Security National, would more than double the amount of square footage to 973,000 square feet of Class A office space, with 4,070 parking stalls and \$237 million in taxable value. Mr. Springmeyer explained the "but for" test, which states that "but for" your participation and partnership, will they or will they not proceed in moving this project forward. He said that Security National has proceeded with constructing the first building and parking structure, and it hasn't worked. He said that although they are a successful company, they have a fiduciary responsibility to their shareholders and a legal responsibility to the people that have purchased life insurance policies with them that their money will be available when they need it. He said that this type of development has competition because others are getting tax increment financing in Sandy, Midvale and Draper.

Mr. Springmeyer provided some figures related to this proposal. The current taxable value is about \$31 million, and that taxable value is declining every year due to some single-story warehouse buildings in the area. If this project moves forward, the anticipated value in year 2034 is almost \$220 million. He provided details related to taxing entity participation, pass through amounts and anticipated future revenue. Security National is asking the City to be a partner in this project of first class office development, which would redevelop an aging warehouse park and stabilize the property taxes in the area. He said that there may come a time when the City can't depend on retail sales or car sales, and that the City should be looking forward and capitalizing on the asset of being in the middle of the valley. He said that there needs to be a legitimate Class A office space to take advantage of those assets.

Blair Camp asked if the reason that the project isn't working is due to the length of time for a return on the investment. Mr. Springmeyer responded that it relates to what they have to get in lease rents to justify the cost of construction for these buildings. In order to get density you must have structured parking, and in order to get structured parking they need Murray City as a partner. Chairman Hales allowed Mr. Wayman to make a comment on this issue. Mr. Wayman provided an example of a tech company that was located in Murray and moved to another city because they couldn't find Class A office space at a competitive lease rate. He said that other companies in Murray are in the same situation and need Class A space, and in order to keep those companies here there has to be a product available with a competitive rent structure. Other cities have an advantage because they are providing TIF dollars to assist in development.

Tim Tingey stated that he does not disagree with anything that has been stated and that the City is very interested in Class A office space. Our general plan indicates that we are going to work towards additional office space because it provides density, which is an important thing for Murray and provides increased tax value. He said that the challenge is the reality of going through the process of establishing a community reinvestment area. It is not easy to sell the idea to our taxing entities that we are at a competitive disadvantage and want to get into the market to address the issue. The county has been very specific in stating that they are not interested in participating in projects where jobs are taken from one portion of county and moved to the another. Mr. Tingey stated that the school board has said that they are grateful that Security National isn't in a redevelopment area. Although there are legitimate arguments to support creation of a community reinvestment area, it has to be Murray City and the Redevelopment Agency of Murray that make the case before the taxing entities and obtain their approval. The RDA is currently proposing the Ore Sampling Site CRA and completed a blight study that fully supports the proposal. The area is a classic example of an area in need of redevelopment, yet we are getting push back from some of the taxing entities. If the RDA board wants staff to pursue preliminary discussions with the taxing entities we will be happy to do so, but it will be difficult to work through this proposal with them.

Jim Brass stated the point of relying on sales tax dollars is a good one especially as people turn more towards internet sales. We have to weigh the benefits to our citizens when considering this proposal, particularly when it relates to buying parking. He said that the City gets fourteen cents out of every dollar of property tax, so we don't really get a lot of money out of property taxes. Another consideration is the impact of the development. Mr. Brass stated that the hospital development in the City is wonderful and brings a lot of people here that otherwise may not have come and spent money, but it also creates a lot of wear and tear on our roads. He said that over 30% of the properties in Murray are tax exempt. This issue needs to be discussed further.

Dave Nicponski said that he would like to see this development mature from three buildings to six buildings of Class A office space and it would be beneficial for Murray to have that capability. He would like to see this go forward although he realizes that it will be risky with the county especially since they challenged the Ore Sampling Mill proposal. He stated that we owe it to ourselves to at least venture into discussions and gauge their reactions about moving forward. Related to the comments about hospital impacts, Mr. Nicponski stated that the City does receive fees for water, sewer and power, which would also be generated by these proposed office

buildings. Brett Hales summarized that the RDA board is supportive of having staff begin preliminary discussions about this proposal.

Tim Tingey said that staff will talk preliminarily with the taxing entity representatives about this proposal, although it may take a few months to have those conversations. He suggested that it may be appropriate to discuss the issue at the City/School District coordinating meeting that is scheduled in the next few months and meanwhile staff will reach out to the other taxing entities for brief conversations about the proposal. Jim Brass stated that talking to the school board is a good idea because they have two votes on the taxing entity committee and if we don't have those votes then the project won't move forward. Tim Tingey stated that this will not be a TEC approval process, rather it will be a negotiated agreement with each of the taxing entities. However, it is important to gauge an understanding of how they feel about the proposal. He said that the only time a CRA proposal would go before the TEC is in the case of blight findings or if there are eminent domain elements. Dave Nicponski stated that he realizes Mr. Tingey is very busy but he thinks that having preliminary conversations is worthwhile. Blair Camp stated that he agrees with continuing discussions.

Meeting adjourned.

B. Tim Tingey, Executive Director