IVINS
CITY COUNCIL WORK MEETING
MINUTES
November 12, 2020

****NOTICE: This meeting was held electronically and in person, with limited seating to observe social distancing. City Hall was the anchor location for the electronic meeting. You may listen to the audio feed by going to www.ivins.com, clicking on the "Government" tab, clicking on the word "HERE" under the words City Council**

1) WELCOME AND CALL TO ORDER

MAYOR AND COUNCIL: The meeting was called to order at 5:30 p.m. and announced there was a quorum present.
All present included Mayor Hart, Council Member Mehr, Council Member McDonald, Council Member Johnson, Council Member Larsen, and Council Member Gordhammer.
STAFF:
EXCUSED: None.

A. Acknowledgement of Quorum

Mayor Hart acknowledged there was a quorum present. Council Member Gordhammer, Council Member Mehr, Council Member McDonald and Council Member Larsen were present via the electronic "Zoom" platform. Mayor Hart and Council Member Johnson were present in the Council Chambers. **Mayor Hart** requested a roll call of the City Council Members. Each City Council Member who was in attendance, acknowledged their presence.

B. Flag Salute

Council Member Johnson led the Flag Salute

C. Invocation

Council Member Johnson gave the Invocation

D. Disclosures

Council Member Larsen disclosed that he and his business partner have money down on a condo in the Black Desert Resort. There were no other disclosures or conflicts of interest with items on this meeting's agenda.

2) WORK MEETING

A. Discuss Black Desert Resorts request for Public Assistance using Tax Increment Financing (TIF) and a Public Infrastructure District (PID)

Mayor Hart indicated that Attorney Randy Larsen with the law firm of Gilmore & Bell, has been working on behalf of the City and has been instrumental in writing the legislation for the PID (Public Infrastructure District) and requested that Randy Larsen describe what this is. **Randy Larsen** stated that Gilmore & Bell represents City as Bond Counsel and commented that a PID (Public Infrastructure District) is a recent tool that has been added to the chest for Cities and Counties, to finance public infrastructure. PIDs are a separate local governmental entity and the reason they exist is solely for financing capital costs for public infrastructure. A PID has no Planning and Zoning control, no ability to provide services, no ability to give density or other components. All of those services and authority remain with the City. As an example,

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if a PID financed a road, the road would be deeded to the City and the City would own the road, operate it etc. A PID is a separate local district and that was intentional. The reason is to remove any burden of the debt of the public infrastructure district from the City's finances or obligation, including enforcement remedies. That separate entity actually benefits the City from any debt that the PID may incur. The PID also has its own board and is a capital financing tool. In a City right now, a uniform property tax rate is required. A PID creates the ability to charge a higher property tax within the boundaries of the PID, to finance public infrastructure. The real new tool that a PID brings to a City, is the ability for new growth to pay for its infrastructure by virtue of an enhanced property tax. Before that can occur, a District needs to have discretionary consent of the City Council and no PID can exist just because a property owner wants it to. It's not an entitlement. It's conditioned upon the City Council's consent and also conditioned upon the property owners consent. Additionally, if there are any registered voters within the boundaries, they also have to 100 percent consent to the boundaries and property tax of the PID. A PID is intended to be a tool between a property owner and the City, to discuss this discretionary option to increase a property tax for particular public infrastructure and cannot be imposed by one party on the other. The benefit to the developer is that rather than using commercial methods of financing that don't have a tax exempt interest rate for example, they can use PID bonds to finance infrastructure. From a City's perspective, a PID generates new property tax revenue. There is also a CRA (Community Reinvestment Agency) application using a TIF, a redistribution of existing property taxes. Taxing entities need to agree to some portion of sharing their property tax. In a PID, it's a new revenue. It doesn't take away from anyone but it does add a property tax burden within the boundaries of that PID. The people that are at the table right now regarding considering a PID, is the property owner who is willing to consent and the City that may or may not be convinced to create a PID. The people that aren't at the table right now are the future users of that property, whether they be residential, commercial, or some mix, they are not currently at the table. A couple of things that are best practices that his firm recommends, is that the City has a policy in place to give guidelines to the City Council, for the types of infrastructure and/or development the Council may feel is appropriate for an enhanced property tax and help guide property owners in their application to the City. Concurrent with considering an application from Black Desert Resort or anyone else, he would encourage the City to have a policy in place to help guide the Council, as well as the property owners. The property tax can be charged to the future users of the property, it also goes against the developer for the time period that they own the property, is limited by State law to 15 mills and cannot be any higher than that. That's quite a high number. When combined with the existing property tax rate with the County, School District, City and other districts within the area, the mill rate is likely around 12 mills. 15 mills would likely more than double the property tax on a particular property and that could influence the decision of someone to locate within that area, as compared to somewhere else. **Council Member Mehr** inquired as to examples of what public infrastructure entails. **Randy Larsen** stated that the most common is horizontal infrastructure which are roads, water, sewer and in certain cases remediation has been used. The definition is relatively expansive. Anything that is owned by a local government can qualify as public infrastructure and that could be a golf course if it is owned by a City. **Council Member Gordhammer** commented that for purposes of clarification, she inquired if it would be fair to think of a PID like an HOA, with the ability to tax so it's still within Ivins City and under Ivins

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jurisdiction but a PID can create its own property tax. **Randy Larsen** commented that that is a fair analogy with a couple of important distinctions. A PID is a governmental entity so rather than having HOA assessment, it would be a property tax but an HOA can also charge assessments for operations and maintenance, a PID cannot. It can only charge the property tax equal for capital financing, which is another thing to keep in mind as a City. Think of a PID as being another version, potentially another bank, to provide the capital financing and does not mess with, nor does it help, with the operation and maintenance needs with new growth. **Mayor Hart** commented that the PID is a select group of property owners, or in this case, future property owners, who pay for the infrastructure to be built and that burden does not fall on anyone outside of those particular tax payers. **Randy Larsen** commented that was correct. **Mayor Hart** referred to TIF (Tax Increment Financing) and CRA (Community Redevelopment Agency) and asked for an overview on that. **Randy Larsen** reiterated that TIF is a redistribution of existing property taxes. The creation of a CRA is first at the discretion of the City. Only the City can create a project area as a CRA to help entertain the option of other taxing entities sharing their taxes. **Mayor Hart** inquired as to the acronym of CRA. **Randy Larsen** indicated that it is Community Redevelopment Agency but that name changes often by the Legislature. They were previously known as RDA's, CDRA's and others but they are all the same entity that changes titles. It would be typical for a property owner or a developer to approach the City first because the City's discretion is required to initiate that process and then it becomes a question to the other taxing entities, as to how much of the increased property tax they may be willing to share, to help accomplish financing or incentives for that development. It typically goes a lot better if the developer approaches a School District or County to say that the City is in favor of this. The argument to the City or the School District or the County is something to the effect of "but for this development"; "but for your investment or returning some of your property tax to us for this development, but for that, it wouldn't exist." and that's the intent of the tool and why it exists. **Mayor Hart** commented that CRA's have been around for a long time and they have been used widely as an incentive to bring new business or industry into a community. **Randy Larsen** stated that was correct. From a financing perspective, the underwriting risks are almost identical and both are dependent upon new vertical infrastructure to warrant backing of financing or a bond. They can be combined into one financing capacity because the underwriting risks of a PID or a CRA are the same. The investor needs to be convinced that vertical infrastructure is imminent, density is there, all of that storyline about the development would be as important to an underwriter of PID as it would be to a CRA. **Audience member Scott Raine** inquired if there will be a Public Hearing in the future on this. **Randy Larsen** indicated that both the CRA and PID process require a Public Hearing. **Patrick Manning** stated that in preparing for this presentation, he wanted the public to understand what they are trying to accomplish. In the time they have been developing the Entrada project and seeing the growth of tourism, this has been a vision for over 10 years now to create what is missing in this area and in the region, which is a resort destination with a golf course, spa, shops and something that tourists and locals can come to for the day and have a reason to go there. Plans and A and B are both good plans but plan B is more of a destination resort. It's not going to be the "there there" but it will be a golf course, hotel and restaurants but what they're trying to create is 3000 foot boardwalk flanked on either side with restaurants, shops, music venues and those sorts of things. They will demonstrate what gets lost by not

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having participation through the CRA and PID. He thinks about the Pioneer spirit and feels that it is alive and well and they are all in a very fortunate time and space that they have a piece of land situated exactly where it is within the region with an opportunity to create a "there there" that impacts generations and they are trying to create something really special. **Mayor Hart** clarified that Plan A and B are both good but the difference is that one of the plans is accomplished with the assistance of these two forms of public financing and one plan is not. **Patrick Manning** indicated that was correct and that Plan A costs the City zero dollars. It does not cost the City any money over Plan B. By going to Plan A, it just means that they do something better.

Jason Burningham with the firm of Lewis Young Robertson & Burningham indicated that they are an investment banking and financial advisory firm in Salt Lake City and have been very involved in the southern part of the State. This project brings significant economic benefits. The firm he is with was invited to participate in the economic development building and modeling to determine what might be of benefit to those taxing entities, including Ivins City, the County and the School District. This development will be one of the largest economic drivers in the region, with over 800,000 patrons that would come to this resort on an annual basis, with another 1500 or more employees. Plan A is the concept of using the PID and TIF and blending those two together in order to finance public infrastructure and improvements that will be beneficial to this area. An option project, that is still a great project, that being Plan B, but it does not accomplish some of the major things of destination multiplier impact in terms of retail shopping experience and everything. That Plan B is also predicated upon no TIF financing but an element of the PID. He referred to a presentation, a copy of which is attached to this agenda. **Jason Burningham** went through the presentation outlining assessed value in the first phase, as well as for all of the phases. He also referred to gross taxable sales, transient room tax and revenue streams benefits to the City and the area for over a 50 year period. The PID and TIF framework would be for 30 years but would only be on the parcel for 20 years.

Justin Bellevou with the firm of GTS Development Services stated that he was the Director of the SLCRDA (Salt Lake City Redevelopment Agency) referred to the overall sense of the design of the project in the presentation. He referred to the Resort Center and indicated that beneath that property will be structured parking that is recessed and will sit below grade. $40 million dollars of the cost of this project is for that structured parking, a conference center and other elements that wind throughout the development. The tools that they are requesting access to are two public financing mechanisms. The PID will allow growth to pay for itself. The intent is to go as far as they feel is responsible for the end users and buyers in maximizing the utilization of the PID tool. The remaining gap of approximately $28 million dollars is intended to be filled with the CRA financing, which maps back to the cost of the below grade parking structures that sit below the culinary village. That would be replaced with surface parking if there is no CRA financing. **Jason Burningham** - clarified that both of the public finance tools are significant and important for this overall project and predicated on the ability to use both and the research they have done by combining those two tools is well balanced of what the project could bear and what the market could bear.

Brennen Brown with D.A. Davidson stated that they underwrite this type of development finance and by using the two PID and CRA tools are important for the Black Desert Resort project and making those tools available, he could confidently say that they can put a transaction

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together that will allow the developer to raise the funds. **Council Member Mehr** inquired who would be on the hook, if it's not the City, if things fell apart. **Brennen Brown** indicated that ultimately the investors are the ones that take that risk. **Jason Burningham** stated that it is important to know that D.A. Davison is the premier underwriting firm for these types of bonds and although these bonds are new to the Utah market, they are used all over the nation and used effectively.

Damon Georglas is the former Chief Counsel of the SLCRDA and indicated that regarding the City's share of TIF, it's the City's share of the TIF on the Black Desert Resort property only and would not be a burden on the other property owners in the City. It is on the development itself. **Mayor Hart** stated that is important to note because they are not taking tax revenue the City is currently receiving. This is additional tax revenue that is being generated by the project itself and the additional features are taking the parking underground and the pedestrian culinary village above. He understood that it is virtually impossible to finance those things so there is a gap between the private financing and the ability to create this. The project itself will pay for this, the project just needs this vehicle to generate the revenue. **Damon Georglas** indicated that was correct and that the project also ends up being a real asset for the City. **Council Member McDonald** inquired if they helped create the Gateway project in Salt Lake City. **Damon Georglas** stated yes. **Council Member McDonald** indicated that is a much larger City than what Ivins is and inquired if he could give examples of other smaller places where these tools have been used. **Damon Georglas** stated Park City Utah, Vail Colorado, resort oriented places in Arizona, New Mexico and ski communities. A lot of these financing tools have been used to build parking structures and it is very common. **Council Member McDonald** requested a list of a few places this has occurred sent via email so they can look at those. He referred to the places referenced to as generally noisy but Ivins is quieter and he inquired about that. **Damon Georglas** indicated that Ivins is a low key community and people come here for a specific reason and generally it stays pretty quiet. **Jason Burningham** commented that when they are looking at this project from an economic perspective, Plan A is much more of a destination, self-contained on-site and that would contain those visitors. There will obviously be spillover into the surrounding communities but Plan B without the TIF is much less contained. **Council Member Mehr** inquired if this resort crosses into the border of Santa Clara. **Damon Georglas** clarified that the portion that they are talking about today is just located in Ivins. **Council Member Mehr** inquired if they will be making the same presentation for this same thing to Santa Clara. **Damon Georglas** stated yes, they intended to do that. **Patrick Manning** indicated that the majority of the traffic would be turning south onto Snow Canyon Parkway and heading towards St. George. He referred to the parking and indicated that based on their parking studies, that parking is needed. He stated that the Conditional Use Permit that was approved, was approved for Plan A. **Dale Coulam** referred to the Conditional Use Permit and commented that at the Public Hearing for the Conditional Use Permit, Patrick made a statement that said this project was fully funded and inquired what he meant by that statement. **Patrick Manning** stated that statement is related directly toward the phase 1 Resort Center. He never said that all of it, the $850 million was fully funded. It was Resort Center. **Dale Coulam** indicated that he talked about the excavation of the underground parking as part of phase 1 and inquired if he was saying that this additional public assistance is then to just build the garage up after the excavation is done and that he is bearing the cost of the excavation. **Manning Team Member** from the

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audience stated "the short answer to that is yes." **Audience Member Scott Raine** requested to comment and inquired if the plan that was originally approved for Plan A and they knew that the parking couldn't be funded, why didn't they ask for public assistance then? There have been other developments proposed for Ivins that have had its struggles and the nightly rental units in Santa Clara are struggling and being foreclosed on. **Patrick Manning** indicated that at the very first of this and at the onset of going over the initial plans, he made it known informally that he did intend to seek public funding. **Council Member Gordhammer** referred to Dale Coulam's comment regarding the project being represented as fully funded, that date was July 16, 2020 and when the Council was asked to approve the Conditional Use Permit for Plan A, one of the conditions was that the project was being fully funded and indicated that at that time, she was concerned about what had occurred with the Sentierre project as an example and the minutes indicate this project was fully funded, so her vote to approve the Conditional Use Permit was based on that answer. The casual conversations that Patrick alluded to that he would be going for public funding, she wasn't aware of that and she's not saying that she's against all of this, but from her perspective, her vote for this project was that it was fully funded, which does not seem to be the case now. **Mayor Hart** clarified that it is a massive project but would say that they can't point to very many cities Ivins size that have developers coming to the City and saying they want to invest here and here are the returns. He would hope that the Council would be looking at the request and the difference in revenue the City will receive. The City declared years ago that the City was to become a resort destination. Senteirre is still moving forward and at some point in time, the City will be established as the premier location in the greater Zion area in terms of resort destination. He hoped that the City Council would look at this from the public side as well as the incredible opportunity for the City. **Council Member McDonald** stated that his greatest concern was that the project starts and then it stalls and then the property is torn up for years and years, as well as how it's going to affect the rest of the residents. **Lane Mecham** observed that just something for consideration, talking about the "but for" argument of would this project move forward unless the City was willing to forego property tax revenues to finance this project and part of that "but for" argument is understanding that - can a project move forward without the City foregoing those tax revenues. They have presented to the Council today that the equity investors would not be adequately compensated for taking on the risk that this project presents and that the gap is what they presented and that they cannot increase the debt load on the project because of the debt coverage ratios and so they presented that to the City but they haven't presented anything that substantiates that so that is just something to consider, is that the City is taking their word for the fact that the internal rate of returns are at a level that without this funding, those equity investors wouldn't be adequately compensated for their risk that they are taking on. The "but for" question is not just about what the project will look like with and without PID and TIF financing, it's also about what is the level of the return on the project and will the equity investors be sufficiently compensated for their investment without the public financing. He did not feel like they have demonstrated that today so that might be something that the City would want to consider as a Council before making a final determination. They haven't presented the analysis that shows the City what the cash flows look like. What are their debt coverage ratios, what are the internal rates of return on the project and included in that could be management fees and other fees that feed back to the same investors. Trust but confirm that's actually the case. **Patrick Manning** indicated that in a dozen Planning Commission and City

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Council meetings, they have been burdened by Sentierre. This project is not Black Desert Resort at Sentierre. It is Black Desert Resort at Entrada and rather than look at another development group on a different piece of land, maybe look at the same development group on the same piece of land and see what they have done and completed. That's the more fair way to look at how they do things, rather than comparing them to someone else. **Council Member Gordhammer and Council Member McDonald** commented that was a valid statement and thanked Patrick for that. **Council Member Mehr** inquired if they used these public funds for Entrada. **Patrick Manning** stated no because that is a single family development. **Jason Burningham** indicated that there are other parking structures that have used this in St. George, one being a boutique hotel and the parking structure behind the Zions Bank building downtown. The magnitude of this project in terms of economic benefit, could perhaps be the largest economic development in this area. **Mayor Hart** reminded the Council that the City has two experts in these areas to provide the Council with information and analysis. **Jason Burningham** made it clear that they are asking for both public finance tools, the PID and the TIF, because they are both important components and was appreciative of the City for their willingness to consider this. Both components of these tools are important to them and they will do the best they can to describe what Lane Mecham brought up. **Mayor Hart** thanked them for helping them understand these public financing tools.

3) <u>ADJOURNMENT</u>

MOTION: Council Member Mehr moved to adjourn
SECOND: Council Member McDonald
VOTE: The motion carried.

Council Member Mehr	AYE
Council Member McDonald	AYE
Council Member Johnson	AYE
Council Member Larsen	AYE
Council Member Gordhammer	AYE

The meeting adjourned at 7:41 p.m.

Respectfully,

Kari Jimenez
Ivins City Recorder

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