



City Council Staff Report

Subject: \$25,000,000 General Obligation Open Space Bond
Author: Tom Daley, Deputy City Attorney
Department: City Attorney's Office
Date: September 15, 2016
Type of Item: Administrative

Summary Recommendation

City Council should conduct a public hearing for the purpose of receiving public input on the \$25 Million Bonanza Flats general obligation open space bond initiative that will appear on the November 8, 2016, ballot.

Executive Summary

State code requires that City Council hold a public hearing to take comments on the potential issuance of an open space bond, and the potential economic impact on the private sector of the improvement, facility, or property for which the bond pays all or part of the cost. As required by State code, notices for this hearing have been included in the Park Record for two consecutive weeks (8-31-2016 and 9-7-2016), and on the State Public Notice Website.

PCMC does not have a deal with the current owner of Bonanza Flats. If and when the owner of Bonanza Flats should approach PCMC, the availability of bond proceeds could give PCMC the ability to make an offer on the property. If PCMC has an opportunity to make an offer to purchase and preserve Bonanza Flats using proceeds from this open space bond, PCMC would publish notice of the bond issuance and there would be a public hearing prior to any bond(s) being sold.

Acronyms

PCMC Park City Municipal Corporation

Background and Summary of Previous Staff Reports

On August 11, 2016, the City Council adopted a resolution to put a \$25,000,000 general obligation bond question on the November 8, 2016, ballot. If voters approve the initiative by a simple majority, PCMC would be in a position to issue and sell open space bonds for the purpose of making a financial contribution to the purchase and preservation of Bonanza Flats.

Please view the August 4 and August 11, 2016 staff reports and the full text of the bond resolution using these links:

www.parkcity.org/Files/Staff_Report_8_4_16.pdf

www.parkcity.org/Files/Staff_Report_8_11_16_only.pdf

www.parkcity.org/Files/Staff_Report_8_11_16_Resolution.pdf

Park City has been aware of the development pressure on Bonanza Flats for decades. There is also long-standing public support for the idea of preserving Bonanza Flats for recreation and open space. As a result of Wells Fargo's foreclosure action against Talisker and the subsequent sheriff's sale, Redus, LLC currently owns Bonanza Flats along with other property. Redus, LLC is owned by Wells Fargo and its lending partner, Midtown Acquisitions. PCMC does not have a deal with the current owner of Bonanza Flats. If and when the owner of Bonanza Flats should approach PCMC, the availability of bond proceeds could give PCMC the ability to make an offer on the property.

If approved by voters on November 8, 2016, PCMC would be authorized to issue the bond(s) as early as March, 2017, which would make funds *up to \$25,000,000* available at that time. The amount of the bonds issued and sold could be less than the \$25,000,000 authorization. PCMC is required to publish notice of the bond issuance and there would be public hearings prior to any bonds being sold. The authorization to issue the bond(s) for the purpose specified would remain effective for up to ten years.

The purpose of this open space bond would be specific to the potential purchase and preservation of Bonanza Flats. Bonanza Flats is comprised of approximately 1,400 acres of undeveloped and pristine ground situated along Guardsman Pass Road in unincorporated Wasatch County at the upper elevations of the Wasatch Mountains. It is contiguous to Park City's southern boundary which is also the Summit and Wasatch County line. Bonanza Flats is bordered to the west generally by the ridge line of Clayton's Peak and 10420' which is also the Wasatch and Salt Lake County line. Bonanza Flats is a scenic mountain land parcel with alpine terrain of dramatic stands of conifers, large aspen groves, steep cliff areas, and open meadows.

Park City's long held legacy of successful open space purchases has been the result of voter approved open space bond measures and sales tax initiatives. Park City's approach to open space preservation has always included a willing seller and a willing buyer and the same would need to occur to make the purchase and preservation of Bonanza Flats possible.

In the event Redus, LLC or its successor-in-interest approaches Park City regarding the availability of Bonanza Flats, Park City would need funds readily available to make an offer at that time. Staff has determined that a meaningful offer would need to be supported by the proceeds from a general obligation bond. In other words, staff feels that a general obligation bond may be the only means by which Park City could achieve the preservation and protection of Bonanza Flats. No purchase price has been identified for the Bonanza Flats property. The next opportunity to place a general obligation bond on the ballot would not arise until November, 2017, and the availability of funds would be pushed back twelve months at a minimum.

Though similar to past open space bonds, this bond would be different in one respect: Voters in Park City have historically approved by high margins open space bonds without knowing what property might be purchased with those bond funds. For this ballot measure, voters will have the opportunity to authorize funding only if PCMC is able to reach an agreement to purchase a specific piece of property – namely Bonanza Flats. So while voters will have the opportunity to vote to preserve a specific piece of property, they will be voting without certainty that PCMC will reach an agreement to buy and preserve that property or that the bond will be issued.

If PCMC were to issue and sell the full amount of the authorization, or \$25,000,000, full-time residents with primary resident tax status would pay annually \$15.15 for every \$100,000 of home value. Second homeowners/part time residents and businesses would pay \$27.54 per year per \$100,000 of home or business value. The life of the bond is anticipated to be 15 years.

On November 8, 2016, Park City voters will have the opportunity to answer this question on the ballot:

CITY PROPOSITION NUMBER 1

Shall Park City, Utah be authorized to issue general obligation bonds in an amount not to exceed \$25,000,000 and to mature in no more than 16 years from the date or dates of such bonds to acquire, improve, and forever preserve open space, park, and recreational land located in Bonanza Flats, if such land is available for purchase by the City, in order to protect the conservation values thereof, to remove existing unneeded man-made improvements, and to make limited improvements for public access, parking and use?

PROPERTY TAX COST OF BONDS

If the bonds are issued as planned, an annual property tax to pay debt service on the bonds will be required over a period of 16 years in the estimated amount of \$122.67 on an \$810,000 primary residence, and in the estimated amount of \$223.05 on a business property having the same value.

The foregoing is only an estimate and is not a limit on the amount of taxes that the governing body may be required to levy in order to pay debt service on the bonds. The governing body is obligated to levy taxes to the extent provided by law in order to pay the bonds.

FOR THE ISSUANCE OF BONDS

AGAINST THE ISSUANCE OF BONDS

If voters approve the bond on November 8, 2016, up to \$25,000,000 in bond(s) could be sold as early as March, 2017. Park City may sell a bond for less than \$25,000,000 depending on an agreed purchase price and/or contributions from other funding sources both public and private.

The authorization to issue the bond will remain effective for up to ten years, and prior to any issuance of a bond, there will be notice and a public hearing. The long-term viability of the authorization will give Park City latitude well into the future to make an offer should the opportunity present itself.

In the event an agreement to acquire and preserve Bonanza Flats is not reached, Park City would not sell a bond. The resolution City Council approved on August 11, 2016, is limited to the possible purchase and protection of Bonanza Flats and it will not allow bonds to be sold for the purpose of acquiring any property other than Bonanza Flats.

City Council Action

The City Council should conduct a public hearing in compliance with Utah law to receive input consistent with this report.

Department Review

This report has been reviewed by the Executive Department and Budget and Finance Department.

Funding Source

There is no funding source associated with Council conducting a public hearing on this matter.