



**DATE: August 11, 2016**

**TO HONORABLE MAYOR AND COUNCIL**

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 the recent foreclosure and sheriff's sale, a partnership of lenders now owns Bonanza Flats. Given this change in circumstances, PCMC feels that it is well worth being prepared to make an offer on Bonanza Flats, should it become available. We do not have a deal with the current property owner. If and when this property owner or a subsequent owner should approach Park City, we want to be in a position to make an offer.

Accordingly, the City Council should consider adopting a resolution at the August 11, 2016, regular City Council meeting. The adoption of a resolution to put a \$25,000,000 general obligation bond on the November 8, 2016 ballot would give voters the opportunity to put PCMC in the position of making a financial contribution to the purchase and preservation of Bonanza Flats.

Utah state laws require City Council approval of such a resolution no later than August 18, 2016, in order to put the bond before voters on the November 8, 2016 ballot. If voters approve the bond on November 8, 2016, PCMC would be authorized to sell 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 would publish notice of the bond issuance and there would be a public hearing prior to any bond(s) being sold. The authorization to issue the bond(s) would remain effective for up to ten years.

**Respectfully:**

Nate Rockwood, Capital Budget, Debt & Grants Manager



## City Council Staff Report

**Subject:** Open Space Bond  
**Author:** Tom Daley, Deputy City Attorney  
**Department:** City Attorney's Office  
**Date:** August 11, 2016  
**Type of Item:** Administrative

### Summary Recommendation

City Council should consider adopting a resolution at the August 11, 2016 regular City Council meeting to put an open space bond on the November 8, 2016 general election ballot. Adopting the resolution would give Park City voters the opportunity to vote on November 8, 2016, in favor of a \$25,000,000 general obligation bond. All or some of the general obligation bond proceeds would be used to purchase and preserve Bonanza Flats should the owner of Bonanza Flats and PCMC reach an agreement.

### Executive Summary

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 the recent foreclosure and sheriff's sale, a partnership of lenders now owns Bonanza Flats. Given this change in circumstances, PCMC feels that it is well worth being prepared to make an offer on Bonanza Flats, should it become available. We do not have a deal with the current property owner. If and when this property owner or a subsequent owner should approach Park City, we want to be in a position to make an offer.

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### Acronyms

PCMC Park City Municipal Corporation

## The Opportunity

Without a general obligation bond, PCMC does not have funds available to make a meaningful contribution to the purchase and preservation of Bonanza Flats. If the City Council were to adopt the resolution to put a general obligation bond on the November 8, 2016 ballot, Park City voters would be able to vote for or against authorizing PCMC to issue and sell a bond in order to fund PCMC's contribution to the purchase and preservation of Bonanza Flats, should the property become available.

## Background

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, alpine lakes, 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. If approved by voters, this authorization would enable PCMC to partner in the protection of Bonanza Flats if the opportunity to do so arises. Bonanza Flat's location and unique conservation character present a valuable conservation resource which merits protection.

Redus, LLC currently owns Bonanza Flats along with other property as a result of Wells Fargo's foreclosure on Talisker's loan. Redus, LLC is owned by Wells Fargo and its lending partner Midtown Acquisitions.

## Alternatives for City Council to Consider

**1. Recommended Alternative:** Consider adopting a resolution for a \$25,000,000 general obligation bond at the August 11, 2016 regular meeting.

### Pros

- a. This would result in an open space bond authorization appearing on the November 8, 2016 general election ballot, giving voters the opportunity to express support for a general obligation bond to be used for the purchase and preservation of Bonanza Flats.
- b. The adoption of the resolution on August 11, 2016 would meet the August 18, 2016 deadline proscribed by Utah law.
- c. A general obligation bond for the purposes of funding open space preservation is consistent with Council's Priorities and Desired Outcomes and fulfills the General Plan goal of protecting open space whenever feasible.

### Cons

- a. The impact of adopting the resolution on August 11, 2016 is that the question of whether a voter supports or does not support the authorization to issue up to \$25,000,000 in general obligation bonds will appear on the November 8,

2016 ballot. If at the general election voters approve the bond, council could have as long as ten years to decide to sell a bond for the purpose of purchasing and preserving Bonanza Flats. If no opportunity to purchase and preserve Bonanza Flats arises, PCMC would not issue and sell a general obligation bond and the *status quo* would be preserved. While this is not a “con,” it is also not the desired outcome.

2. **Null Alternative:** This would preserve the *status quo*, as stated above.
3. **Other Alternatives:** Council could consider adopting a resolution on August 11, 2016 which would put an authorization for a bond authorization amount different than \$25,000,000 on the November 8, 2016 ballot. For fiscal and other reasons, staff recommends a resolution for \$25,000,000.

### **Analysis**

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. 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, we would be asking the voters 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.

In order to put a general obligation bond before voters on the November 8, 2016 general election ballot, Utah state laws require City Council’s approval of a resolution no later than August 18, 2016. No purchase price has been identified for the Bonanza Flats property.

If PCMC were to issue and sell the full amount of the authorization, or \$25,000,000, it is estimated that full-time residents with primary resident tax status would pay annually \$15.15 for every \$100,000 of the home’s assessed market value. It is estimated that a second homeowners/part time residents would pay \$27.54 per year per \$100,000 of the

home's assessed market value. A business would also pay \$27.54 per \$100,000 of assessed market value. While the ballot language indicates maximum bonds of 16 years, the life of the bonds are anticipated to be 15 years. The parameters of the bond language allows for flexibility should the last payment of the 15 year term require payment at 15 years and one month. Payments are typically made twice per year at six-month intervals. Debt payments would occur for 15 years from the time the bonds are issued.

If the bond resolution is adopted by City Council, on November 8, 2016, Park City voters will have the opportunity to answer this question on the ballot:

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, to protect the conservation values thereof, to remove existing unneeded man-made improvements, and to make limited improvements for public access, parking and use?

The following information will appear on the ballot immediately below that question:

#### **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 a \$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.

A complete copy of the bond resolution is attached to this report.

If City Council adopts the resolution on August 11, 2016, and the 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 the City Council will consider on August 11, 2016, is limited to the possible purchase and protection of Bonanza Flats and it will not allow a bond to be sold for the purpose of acquiring any property other than Bonanza Flats.

### **How this could further the goals expressed in the General Plan**

Goal number four in the General Plan reads “Open Space: Conserve a connected, healthy network of open space for continued access to and respect for the Natural Setting.” If the City was able to acquire this property, it would meet four of the five objectives defined in the Natural Setting section of the General Plan:

- 4A: Protect natural areas critical to biodiversity and healthy ecological function.
- 4B: Buffer entry corridors from development and protect mountain vistas to enhance the natural setting, quality of life, and visitor experience.
- 4C: Prevent fragmentation of open space to support ecosystem health, wildlife corridors, and recreation opportunities.
- 4D: Minimize further land disturbance and conversion of remaining undisturbed land areas to development to minimize the effects on neighborhoods.

### **Department Review**

This report has been reviewed by the Executive Department, Budget and Finance Department, and the City Attorney’s Office.

### **Funding Source**

There is no funding source associated with Council’s approval of the resolution.

### **Attachments**

Attachment A: Image of Bonanza Flats

Attachment B: Open Space Bond Resolution