



City Council Staff Report

Subject: Bonanza Flats Purchase
Author: Tom Daley, Deputy City Attorney
Department: City Attorney's Office
Date: March 9, 2017
Type of Item: Administrative

Summary Recommendation

City Council should make the Second Option Payment of \$1,500,000 to Wells Fargo which will extend the date of closing on the purchase of Bonanza Flats to no later than June 15, 2017.

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. On January 12, 2017, PCMC entered into a purchase option agreement with Redus Park City, LLC, a partnership of lenders which now owns Bonanza Flats. Under the terms of that agreement, PCMC may pay Redus Park City, LLC \$1,500,000 on or before March 15, 2017, in order to extend the closing date to June 15, 2017. If the second option payment is not made on or before March 15, 2017, the agreement will terminate. PCMC made an initial option payment of \$1,500,000 to Redus, LLC on January 13, 2017. PCMC structured its offer on Bonanza Flats as a purchase option in large part because of the \$13,000,000 funding gap between PCMC's successful \$25,000,000 open space bond, which voters approved in the November 2016 election, and the purchase price of \$38,000,000. Staff is encouraged by the progress toward funding the \$13,000,000, with Summit County committing to \$5.75 million; private fundraising efforts by Utah Open Lands going well; and contributions imminent from Salt Lake County, Salt Lake City Public Utilities, and other public entities. Accordingly, staff recommends Council make the second option payment with the expectation that closing on Bonanza Flats will occur on or before June 15, 2017.

Acronyms

PCMC Park City Municipal Corporation

The Opportunity

The protection from private development of 1,350 acres in Bonanza Flats.

Background

Bonanza Flats is comprised of approximately 1,350 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. The purchase and protection of Bonanza Flats would be no exception. The voters' approval of the \$25,000,000 open space bond has enabled PCMC to partner in the protection of Bonanza Flats. Bonanza Flats' location and unique conservation character present a valuable conservation resource which merits protection.

Alternatives for City Council to Consider

- 1. Recommended Alternative:** Authorize payment of the second option payment of \$1,500,000 on or before March 15, 2017.

Pros

- a. This would extend the closing date for the purchase of Bonanza Flats to no later than June 15, 2017.
- b. Preserving Bonanza Flats as open space is consistent with Council's Priorities and Desired Outcomes and fulfills the General Plan goal of protecting open space whenever feasible.

Cons

While the status of fundraising to close the \$13,000,000 gap between the purchase price and PCMC's \$25,000,000 open space bond is encouraging, the fundraising is not yet completed. It is possible that PCMC could make the second option payment and still not close on Bonanza Flats.

- 2. Null Alternative:** Not making the second option payment would result in the termination of the purchase option agreement.

Analysis

PCMC's pursuit of the protection of Bonanza Flats has required PCMC to tolerate considerable uncertainty and accept a fair degree of risk. In November, Park City voters approved the \$25,000,000 open space bond knowing not only that PCMC did not have a deal with the property owner, but that the property owner was then negotiating with a private developer. On January 12, 2017, PCMC entered into a purchase option agreement with the owner of Bonanza Flats, acknowledging that the purchase of the property was "as is" and that there was a \$13,000,000 shortfall between the \$25,000,000 open space bond and the \$38,000,000 purchase price.

As of the writing of this report, Utah Open Lands reports that the current amount raised from private funding sources including matched challenge grants, pledges, and funds received totals \$1,550,000. Utah Open Lands further reports that there is at least one additional promising challenge grant on the horizon. The "Coalition" of non-profits may

not meet its goal of \$3,000,000 from private sources, but Utah Open Lands notes additional funds from other entities, including the State's LeRay McAllister Fund, which could yield \$500,000 for Bonanza Flats, as possible sources which will bring it near to its goal.

Additionally, Summit County has committed to \$5.75 million, and pending commitments from Salt Lake Public Utilities, Salt Lake County, and other governmental entities indicate that funding from these entities, in response to requests made by PCMC and Utah Open Lands, would bring PCMC within \$1 to \$1.2 million of closing the \$13,000,000 gap.

Utah Open Lands and staff note that the commitment from Salt Lake County will likely be the most significant factor in whether the \$13 million gap is closed.

Department Review

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

Funding Source

The second option payment of \$1,500,000 would come from existing and available open space funds, which would be reimbursed by bond proceeds when PCMC issues its \$25,000,000 Bonanza Flat open space bond.

Attachments

Attachment A: Image of Bonanza Flats

Attachment A

