



City Council Staff Report

Subject: Bonanza Flat Open Space Bond
Author: Tom Daley, Deputy City Attorney
Department: City Attorney's Office
Date: May 11, 2017
Type of Item: Administrative

Summary Recommendation

City Council should hold a public hearing and consider adopting a resolution that restates and confirms PCMC's intent to place a conservation easement on Bonanza Flat.

Executive Summary

In response to the development pressure on Bonanza Flat, PCMC entered into a purchase option agreement with Redus Park City, LLC (Redus) on January 12, 2017. Redus is a partnership of lenders which now owns Bonanza Flat. Under the terms of that agreement, PCMC made an initial option payment of \$1,500,000 to Redus on January 13, 2017, and a second payment of \$1,500,000 on March 15, 2017. PCMC structured the agreement with Redus 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. Since the execution of the purchase option agreement on January 12, 2017, a coalition of groups led by Utah Open Lands has campaigned with great success to raise money needed to purchase and protect Bonanza Flat. The coalition is comprised of Utah Open Lands, The Nature Conservancy, Summit Land Conservancy, Mountain Trails Foundation, Wasatch Backcountry Alliance, Friends of Alta, Save Our Canyons, Utah Chapter of the Sierra Club, Trails Utah, and others.

With a closing deadline of June 15, 2017, the coalition has redoubled its efforts to raise the money needed for the purchase. As coalition members explore funding sources, many potential donors ask for an assurance that PCMC will in fact place a conservation easement on Bonanza Flat if PCMC is successful in purchasing the property. The adoption of a resolution restating and confirming PCMC's commitment to placing a conservation easement on Bonanza Flat would provide that assurance.

Acronyms

PCMC Park City Municipal Corporation

The Opportunity

Support PCMC's coalition partners by providing them with a tool that will help them continue to raise money for the purchase and protection of Bonanza Flat.

Background and Analysis

The Bonanza Flat Open Space Bond is specific to the potential purchase and preservation of Bonanza Flat. Bonanza Flat 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 Flat 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 Flat is a scenic mountain land parcel with alpine terrain of dramatic stands of conifers, large aspen groves, steep cliff areas, and open meadows.

As a result of the March, 2015 Wells Fargo foreclosure and subsequent public auction by the Wasatch County Sheriff, Redus took ownership of Bonanza Flat. Redus is owned by Wells Fargo and its lending partner, Midtown Acquisitions, a hedge fund based in Manhattan. The change in ownership opened the door to a new opportunity for PCMC to pursue the acquisition of Bonanza Flat if and when it became available. At the time of adopting the resolution to put the bond on the November, 2016 ballot, PCMC did not have a deal with Redus. In fact, PCMC was aware of Redus' ongoing negotiations with a private developer and that those discussions precluded PCMC from approaching Redus with an offer. PCMC's strategy was to prepare itself to be able to make an offer if and when Redus or a subsequent owner should approach Park City. That opportunity presented itself in late 2016.

Though similar to past open space bonds, the Bonanza Flat Open Space Bond was different in one respect: the City Council asked voters to authorize funding only if PCMC got into a position to purchase a specific piece of property – namely Bonanza Flat. While voters in Park City historically approved by high margins open space bonds without knowing what property might be purchased, in this instance they were asked to approve bond funding the use of which was limited to the preservation of Bonanza Flat. Without knowing that PCMC would reach an agreement to buy and preserve Bonanza Flat or that the bond would be issued, seventy-two percent (72%) of voters approved the bond.

In the course of analyzing the potential purchase of Bonanza Flat, PCMC concluded that a general obligation bond for a majority of the potential purchase price would be the only means by which PCMC might achieve the preservation and protection of Bonanza

Flat. (In other words, PCMC reached this conclusion knowing that the \$25,000,000 would not cover the full purchase price). Accordingly, the November, 2016 ballot measure asked voters to authorize funding for the singular purpose of purchasing and protecting Bonanza Flat. Voters were presented with 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 Flat, to protect the conservation values thereof, to remove existing unneeded man-made improvements, and to make limited improvements for public access, parking, and use? “

Thus, the voters’ approval of PCMC’s use of the bond proceeds is limited by this language, i.e., the money can be used for nothing more or different than the perpetual preservation of open space and protection of conservation values within Bonanza Flat. The adoption of a resolution, a draft of which is attached hereto, confirms PCMC’s intent to preserve and protect Bonanza Flat even as funding sources beyond the \$25,000,000 bond are used.

Alternatives for City Council to Consider

Recommended Alternative: Council should adopt a resolution, substantively similar to the draft attached hereto, that restates and confirms PCMC’s intent to place a conservation easement on Bonanza Flat.

Pros

- a. This would provide coalition members with the ability to assure potential donors of PCMC’s intent to place a conservation easement on Bonanza Flat.
- b. The public generally would be given further confirmation of PCMC’s intent to preserve and protect Bonanza Flat.

Cons

- a. Staff has not identified any drawbacks to Council’s adoption of the attached resolution.

Null Alternative: This would leave coalition members without the ability to assure potential donors of PCMC’s intent to place a conservation easement on Bonanza Flat.

Department Review

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

Funding Source

N/A

Attachments

Attachment A: Draft Resolution