



City Council Staff Report

Subject: Open Space Bond Resolution
Author: Tom Daley, Deputy City Attorney
Department: City Attorney's Office
Date: August 4, 2016
Type of Item: Discussion

Summary Recommendation

City Council should discuss placing a resolution on the August 11, 2016 regular City Council meeting agenda the approval of which 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/or preserve Bonanza Flats should the owner of that property present the opportunity.

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.

Accordingly, the City Council should consider putting a resolution on the August 11, 2016, regular City Council meeting agenda. 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/or 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. 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) will remain effective for up to ten years.

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 preservation of Bonanza Flats. If the City Council were to approve 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 preservation of Bonanza Flats.

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, 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 putting a resolution for a \$25,000,000 general obligation bond on the August 11, 2016 regular meeting agenda.

Pros

- a. This would give council the opportunity to take the first step toward giving voters the opportunity to express support for a general obligation bond to be used to preserve Bonanza Flats.
- b. The approval 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. There are no immediate impacts from considering the resolution on August 4, 2016. Council may decide not to put the resolution on the ballot, in which case the *status quo* is preserved. If council does put the resolution on the August 11, 2016 regular meeting agenda, it may decide not to approve the resolution, thus preserving the *status quo*. Finally, even if voters approve the bond, council could have as long as ten years to decide to sell a bond for the purpose of purchasing and/or preserving Bonanza Flats.
- 2. Null Alternative:** This would preserve the *status quo*, as stated above.
 - 3. Other Alternatives:** Council could consider putting a resolution on the August 11, 2016 regular meeting agenda which, if approved, would put a bond for an amount different than \$25,000,000 on the November 8, 2016 ballot. Staff would address the impacts of that decision in its staff report for the August 11, 2016 meeting.

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 preservation of Bonanza Flats possible.

In the event Redus, LLC or its successor-in-interest discusses with PCMC the availability of Bonanza Flats, PCMC 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 PCMC 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 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 a 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. The repayment life of the bond is anticipated to be 15 years.

If city council approves the authorization on August 11, and the voters approve the bond on November 8, up to \$25,000,000 in bond(s) could be sold as early as March, 2017. PCMC 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 PCMC 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, PCMC 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.

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 consideration of whether a resolution would appear on the August 11, 2016 meeting agenda.

Attachments

A Bonanza Flats Image