

**OGDEN CITY REDEVELOPMENT AGENCY  
TAXING ENTITY COMMITTEE MEETING  
June 25, 2009 – 4:08 p.m.  
Council Work Session Room, Third Floor, Municipal Building**

Minutes of the Ogden City Redevelopment Agency Taxing Entity Committee Meeting held on Thursday, June 25, 2009 at 4:06 p.m., in the Council Work Session Room on the third floor of the Municipal Building in Ogden City, Weber County, Utah.

Present: Chair Larry Newton, State Board of Education Representative  
Vice-Chair Eugene Hart, Ogden School District Representative  
Amy Wicks, Ogden City Council Chair (*via electronic*)  
Scott Waterfall, Ogden City Community & Economic Development Director  
Doug Larsen, Weber County Representative  
Dan Olsen, Weber County Representative  
Brad Smith, Ogden School District Representative  
Lance Wood, Central Weber Sewer Representative (*via electronic*)  
Cathy Dudley, (Alternate) State Board of Education

Also Present: Richard McConkie, Deputy Community & Economic Development Director  
Buck Froerer, Chief Deputy City Attorney  
Cindi Mansell, City Recorder/Secretary

Chair Newton welcomed everyone present; introductions took place.

**CBD Mall Redevelopment Project Area – Proposed  
Resolution providing for extension until 2026**

A memo from Deputy Community & Economic Development Director McConkie came before the committee for consideration. The memo explained the Ogden City Redevelopment Agency Taxing Entity Committee (TEC) is being convened to consider extending for 12 years the period for collecting 100% of the tax increment in the CBD Mall Redevelopment Project Area. It stated this would extend the life of the project area beyond the current 2014 expiration until and including 2026; and it is felt the additional 12 years would allow the Redevelopment Agency to recapture a portion of the high costs associated with redeveloping the former Ogden City Mall site.

Deputy Director McConkie explained back in 2005, the RDA issued \$22.4 million in bonds on The Junction project; this included \$6 million for acquisition of the mall and \$4 million for demolition as well as a \$5 million payment to a former Mall property owner, Woodbury Corporation, that had some legal rights to the tax increment in that District. He stated the request for the extension is due to the need for additional funding to provide for debt service payment on the bond. Mr. McConkie explained that currently, 23% of the debt service would be covered by the tax increment within the five years remaining in the district. He stated there would be over 70% of the debt service constituted from the General Fund of the City and lease revenues that would be received from the Boyer Company. He stated it is felt this is a huge burden to Ogden City as the tax increment available to offset the redevelopment cost is significantly below expectation due to delays, economics, and the short remaining life of the District.

Mr. McConkie explained the extension to 2026 would generate, assuming the economy rebounds in a reasonable amount of time, an estimated 60% of the revenue required for debt service on the \$22.4 million bond issued to redevelop the old mall site. He stated the balance of revenue needed for debt service would come from lease revenue from The Junction, the City's General Fund and other RDA revenue. He clarified that utilizing tax increment as a portion of the funding needed to re-establish the former Ogden City Mall site as an anchor in the regional economy is believed to be in the best interest of the community and the taxing entities.

Clarification was offered that there have been no lease revenue payments made to date because there have not been net profits to share. Mr. McConkie stated the hope is that the lease revenue sharing position will improve as the apartment and commercial leasing markets improve. He stated there is still a

portion of The Junction project that has not been developed; the portion directly east of the Solomon Center on 23<sup>rd</sup> Street and going north to the PRI Office Building. He stated staff continues to try and find a hotel that would be interested in developing in this location; but it is highly likely the City or RDA will have to participate somehow in that project. He stated this would likely be in the form of parking structure assistance. Mr. McConkie explained The Junction taxable value has increased ten-fold since being acquired and purchased for \$6 million in 2001; with a taxable value of \$60 million. He stated it is expected this will double over \$100 million in the next few years.

Chair Newton inquired if the provisions of the proposed resolution and this action are such that if the increment is substantially larger than anticipated one could accelerate the term shorter than 12 years. Mr. McConkie explained the variable is the balance of the development that is needed in this area. He stated for instance, if staff can secure a hotel development, one could anticipate \$4-\$5 million will be needed to construct a parking garage to make it a viable project. Chair Newton asked for clarification that if the increment reaches a certain level, then will it stop or would this be entirely on a percentage basis. Mr. McConkie offered clarification that it would be entirely on a percentage basis.

Chair Newton continued this is one of the few project areas in the state that is purely percentage based with no dollar cap like most other projects. He stated this goes for the entire term no matter what the dollars of the percent of increment are.

Mr. McConkie stated the request was put into motion back in September with an initial 7-year request from the RDA as presented by former Community and Economic Development Director Harmer. He stated a vote was not accomplished at that meeting and staff had been directed to pursue alternatives; the economy has changed and there are still no good projections on when an increased level of revenue will be received from lease payments. He reminded the group that even under the 12-year request, this still only covers 60% of the debt service requirement. He stated it is felt that given the situation, tax increment is a reasonable financial tool.

Chair Newton inquired as to any other provisions and if the resolution that was mailed to the TEC is the exact one on which they are being asked to take action.

Vice Chair Hart stated his understanding is that the resolution included with the packet of information has been revised; he has a copy of a subsequent or revised resolution with changes. Mr. McConkie stated there was an amendment to clarify the mitigation payments being made and reference to a separate interlocal agreement on the second page. He distributed copies of the revised resolution to all members present and apologized for the oversight in not getting it out ahead of time.

Mr. Olsen stated when the TEC met in September, they were given a revised budget. He inquired as to an updated budget with estimated tax increment and inquired if the previous numbers are still valid. Community and Economic Development Director Waterfall explained those projections were based on income; heretofore, there has been no income from The Junction and there is not anticipated to be any in the near future. Mr. McConkie stated staff has no better numbers, but now would have less confidence in the numbers they have.

Chair Newton asked for clarification as to the additions to the proposed resolution. Mr. McConkie explained the second page includes whereas, it is the intent of the Committee that this Resolution become effective only on the condition that a separate interlocal agreement between the Agency and the Ogden City School District regarding mitigation payments becomes effective on or before August 31, 2009.

Mr. Larsen inquired when the City and the RDA put this deal together in 2005, why they did not at that time request an extension. He stated they knew the area would expire in 2014 and there would not be sufficient cash flow over that 9-year period to cover it. Mr. McConkie explained it was anticipated The Junction would build out faster and it was expected the taxable value would be double what it is now and would be built out over a 3-5 year period. Mr. Larsen expressed concern that even if this had occurred, he would calculate the revenue still not to be sufficient. He stated he could guess the estimated value to be contingent in large part on the hotel project. Mr. Larsen stated although he can see clearly the need to deal with the debt service, he is hesitant to support the mitigation payment because he views this as additional debt on top of more debt. He inquired as to the annual debt service or payment for the entire project. Mr. McConkie explained there are three bonds in place with about \$2 million in debt service on the \$22.4 million bonds as discussed; and then there are two other bonds that were used to build the Solomon Center with annual debt service of \$580,000 and \$672,000.

Mr. Wood stated with the proposal on the mitigation payments, the interlocal agreement is not spelled out for review and yet it does have an impact on the TEC. He stated it is hard to vote on something unknown and he would personally like to know what will be in that agreement because of the sensitive

nature of the impacts to Central Weber and the fact he may need to take it before his Board for consideration.

Mr. McConkie explained although notice as to the mitigation payments has been provided, it is not something the TEC would approve or disapprove directly. He stated they would approve the resolution authorizing the project area extension and authorizing the RDA to collect 100 percent of the tax increment.

Mr. Wood expressed concern that the TEC is being asked to approve a resolution for something that may not be adopted until the end of August.

Mr. Larsen stated it does not make sense that the TEC does not have authority over the mitigation issue, yet are being asked to approve a resolution that says they are allowing an interlocal that would provide for mitigation payments. Mr. McConkie clarified that if mitigation payments are to be made between the RDA and any taxing agency, it is to be done by interlocal agreement.

Chair Newton stated the underscored point is that this project area is 100% and there is no cap; it is not like the mitigation payments are going to extend or shorten the project in any way. He stated the fact that the mitigation payments may be made to the Ogden City School District has no impact on the amount of increment that is going to be collected and distributed because the term is fixed and the dollar amount is variable.

Mr. Olsen inquired as to the City's resource of repaying the district; he stated they cannot make mitigation payments out of tax increment and inquired where they are getting \$300,000 a year. Mr. McConkie explained they would not be utilizing tax increment but rather, lease revenue from the Solomon Center to make those payments. He stated it is anticipated that the tax increment (if sufficient) would be used to replenish those lease payments that are being used for mitigation payments.

Chair Newton stated whether the mitigation payments are being paid or the amount of increment to be collected are of no importance; he stated it will not affect the School District, County or City any differently. He stated the point is that it is a percent and not a fixed amount of dollars. He stated if it were a fixed amount, one could argue that the district would be longer than 12 years in order to achieve that fixed amount of dollars if mitigation payments are made from tax increment.

Mr. Olsen stated the original proposal was to extend the district 7 years and now because of the mitigation, it is 12 years. He stated he sees that it does impact additional years; Mr. Wood stated he would concur.

Mr. Larsen inquired if the TEC has the responsibility to approve or not approve mitigation payments; he stated if not, he would question why this is being discussed.

Mr. Smith stated the TEC does not approve the mitigation payments or the interlocal agreement to cement the obligation; he stated there is no question in his mind the proposal is for the TEC to approve a resolution that has, as one of its aspects, a mitigation payment and any disclosures as to terms and conditions. The TEC is being asked to approve the resolution subject to those terms and conditions. He stated if there is a concern that somehow those terms and conditions should be spelled out in the resolution, it is not unreasonable for the interlocal agreement to be prepared in advance for review.

Mr. McConkie explained this is a unique scenario in that the TEC has an obligation and responsibility to determine how tax increment is spent. He stated as part of the Junction project, underwriters did recognize there would be insufficient tax increment to collateralize these bonds; ultimately, the City's General Fund in the form of lease revenues from the BDO underwrites this bond. He stated admittedly, the City and the RDA are using all of the resources that are available to them to meet the debt service. He stated because they are using lease revenues from The Junction or the Solomon Center, it is other RDA revenue and is not directly tax increment.

Mr. Larsen suggested how much quicker the bond would be retired if the Agency were to take \$300,000 a year and make an additional principle payment to this debt service. Discussion followed regarding method of repayment, and the question was raised as to whether the project would come back completely on line after the debt is paid. Mr. Larsen stated should the TEC agree to extend the project area to 2026 and all the debt service is paid as of 2020, the Agency then has 6 years to use 100% of the increment for anything they want. He stated he would be curious to amortize what \$300,000 per year could do to reduce the debt quicker.

Mr. McConkie stated from a practical standpoint, the City is subsidizing the project and the practical effect would be putting \$1 million from BDO in this each year for subsidy if they had the extra \$300,000. Mr. Waterfall added that from the City's perspective, the tax increment will not retire the bond – with or without the mitigation payments.

Mr. McConkie further discussed pending development and if a larger project were to come on line, it would have brought substantial tax increment. He stated those types of projects were not unrealistic two years ago, but now they are because it is a much different economic environment. He stated the hope is that the City will not have to underwrite these funds forever.

Mr. Olsen stated the City is in its 4<sup>th</sup> year in the District; he inquired why the hurry now and why they would not want to wait until the economy is turned around to obtain better projections. He inquired as to what is driving the need for the area extension at this time.

Mr. McConkie stated this was put into motion when former Community & Economic Development Director Harmer was at Ogden and preparing to retire. He had wanted to get this project on sound financial footing before he left and that has not happened. He clarified for planning purposes, and for staff to have the ability to be able to negotiate on a future hotel or other major retail component, the tax increment plays an important part in sitting down with developers. He stated when considering financial support for the project and when there are only 5 years left in the District, this short time frame does not work.

Discussion followed regarding whether or not the TEC would be willing to render a vote at this time. Mr. Wood stated he could vote today but it would be in the negative unless he receives approval from his Board.

Mr. Olsen inquired if the City or School District has considered tying the mitigation payments to actual percentage of increment rather than a fixed amount. He expressed concern these payments add \$3.6 million in costs to the project and if that increment is not there, the debt still remains with the additional \$3.6 million of payments. He suggested if this were to be tied to actual increment that becomes available, that could help soften the RDA burden.

Vice Chair Hart stated the question is whether another form of calculating mitigation payments has been considered and the answer is no. He stated his reason is not that there may not be an alternative method, but this is simply the method the School District came up with and proposed to the RDA. He stated their initial preliminary acceptance made it unnecessary to go back and discover an alternative method.

Mr. McConkie stated it is a reasonable request and one which they are amenable to discussing.

Mr. Smith inquired if the issue was to be postponed today and other alternatives explored, would the purported negative votes be able to change to a positive. Mr. Olsen stated certainly it would help, but he cannot offer a commitment at this time. He stated his preference would be to postpone the vote today and consider other alternatives. Mr. Wood stated he would agree; he stated he can see the tax increment remains the same but does feel the \$300,000 in mitigation payments has an effect on all entities involved.

Further discussion followed regarding different methods and forms of mitigation payments, and an effective way to be able to cover debt service and determine a working alternative for all entities involved.

**MR. SMITH MOVED TO TABLE CONSIDERATION OF THE CBD MALL REDEVELOPMENT PROJECT AREA TO A FUTURE MEETING, THE DATE OF WHICH WILL BE DETERMINED, TO ALLOW TIME FOR INVESTIGATION OF ALTERNATIVES FOR THE MITIGATION PAYMENTS AS PROPOSED. MOTION WAS SECONDED BY VICE CHAIR HART WITH THE FOLLOWING ROLL CALL VOTE: VOTING "AYE" – MS. WICKS, MR. LARSEN, MR. OLSEN, MR. SMITH, MR. WOOD, VICE CHAIR HART AND CHAIR NEWTON; VOTING "NO" – MR. WATERFALL. THE MOTION PASSED 7-1.**

### **Finalization of Minutes**

Clarification was provided of the procedure for the Secretary to prepare the minutes of the meetings and send them out to the Committee members, notifying them they have 10 days in which to make changes; and that if no one responds, the minutes are then deemed to be approved.

**MR. OLSEN MOVED THE MEETING ADJOURN AT 5:00 P.M. MOTION WAS SECONDED BY MR. SMITH, ALL VOTING AYE.**

---

Cindi Mansell, MMC, City Recorder

APPROVED \_\_\_\_\_ July 13, 2009 \_\_\_\_\_