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Western Sports Park Land Purchase vs. Lease

1 message

Kent Andersen <kenta@co.davis.ut.us>

Tue, Nov 5, 2024 at 5:58 PM

To: Lorene Kamalu <lkamalu@co.davis.ut.us>, Bob Stevenson <b Stevenson@co.davis.ut.us>, Randy Elliott <randyelliott@co.davis.ut.us>, Curtis Koch <ckoch@co.davis.ut.us>, Angie Nelson <anelson@co.davis.ut.us>, Christopher Bone <cbone@co.davis.ut.us>, Jeff Hassett <jhassett@co.davis.ut.us>

Cc: Jessica Merrill <jessicam@co.davis.ut.us>, David Hansen <davidb@co.davis.ut.us>

Commissioners and Budget Committee,

On October 29, 2024, the County Auditor presented the 2025 Tentative Budget. Within the Tentative Budget, the Auditor recommended a Land Lease with the Western Sports Park (WSP). It reads:

"The Tentative Budget recommends that the Tourism Fund lease the land from the General Fund for a term of 30 years with two 10-year options to extend for a total of 50 years. It is recommended that lease payments begin at \$1,836,800 and increase annually at a rate of 2 to 3%." (Page 8, 2025 Tentative Budget)

This proposal and its lasting impact is significant. The attached memo intends to provide the Commission and the Budget Committee additional information, considerations and Department recommendations on how to proceed.

It is the opinion of the Community & Economic Development department that if the County is desirous to generate revenue from the land the WSP is located on, that the Tourism Fund is provided the option to purchase the land as opposed to lease.

Let me know if you have additional questions.

Sincerely,
Kent

**Davis**
COUNTY

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WSP Land Purchase vs. Lease.pdf

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Memo To: Davis County Commissioners and Budget Committee

From: Kent G. Andersen

Date: November 5, 2024

Subject: Western Sports Park Land Purchase versus Lease – Considerations and Recommendations

On October 29, 2024, the Davis County Auditor presented the 2025 Tentative Budget. Within the Tentative budget, the Auditor recommended a Land Lease with the Western Sports Park. It reads:

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It is the opinion of the Community & Economic Development department that if the County is desirous to generate revenue from the land the Western Sports Park is located on, that the Tourism Fund is provided the option to purchase the land as opposed to lease.

Western Sports Park (WSP) Land – History

- In 1988, agreed to purchase 100 acres with funds generated from 1968 General Obligation bond
- WSP comprises approximately 55 acres of the original 100 acres
- 1988 purchase price per acre for the subject property averaged \$11,400 per acre
- Total 1988 purchase price of \$627,000 (\$11,400 x 55) for the 55 acres

WSP Land Value Estimate

Due to the existing nature of development on the property, estimating the land value of WSP is nuanced.

- Davis County Assessor estimated value
 - *Maximum value:* If raw land, entirely zoned multifamily: \$23.7 million
 - If raw land, and entirely commercial/retail: \$19.3 million
 - It is unlikely that Farmington City would zone the entire property as multifamily, likely resulting in a mix of multifamily and commercial/retail value. Blending these two land uses/values would result in an estimated Fair Market Value (FMV) of \$21.5 million.



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Tourism Fund

- At times, the Tourism has been a volatile funding source, coupled with many demands.
 - Pandemic significantly impacted revenue. Both in Tourism Tax revenue, but also in WSP and Davis Conference Center revenue streams.
 - Recent global trend in the reduction of year of year travel and hotel stays, may result in the Transient Room Tax (TRT) possibly coming in under budget. Looking forward, it is difficult to determine if this is a trend that may continue.
- To fund a large portion of the WSP construction, the Tourism Fund entered into an ongoing bond payment - \$3.665 million for 25 years (First Payment: 2023)
 - WSP has not yet opened. Growing pains on personnel and equipment needs could continue to impact the need for Tourism Funds to support operations.
- For the 2025 Tentative Budget, between the Maintenance and HR Admin allocations, the Tourism Fund totals \$568,000.
- 2025 Tentative Budget Tourism Tax projected expenditures: \$7.28 million (4 items)
 - Proposed \$1,836,800 annual WSP lease rate (17% of Tourism Tax revenues)
 - Ongoing WSP bond payment \$3.665 million (34% of Tourism Tax revenues)
 - Maintenance and HR Admin allocations \$568,000 (5% of Tourism Tax revenues)
 - Required expenditure of TRT to Establishing and Promoting: \$1,212,279 (11% of Tourism Tax Revenues)
- 2025 Tentative Budget Tourism Tax projected revenues: \$10.89 million
- These 4 listed expenditure items total \$7.28 million, which is 67% of the projected revenues that are essentially “locked” from future flexibility and capital projects for the foreseeable future.

Additional Items that should be considered when evaluating purchase/lease WSP land

- What other interested projects does the Commission have for the Tourism Fund?
 - The current Western Sports Park project is a phased approach, with a need still existing for Phase 2.
 - In 2022, the County acquired 3.25 acres north of the Davis Conference Center (DCC) for future expansion. In the 2025 Tentative Budget, there is \$75,000 for a DCC future expansion feasibility study.
 - The DCC is 20 years old, and has significant capital investment needs.
 - The amount of money being described in a purchase/lease proposal is significant, and will delay future capital project opportunities. These future capital projects have the potential to create new County/City general fund sales and property taxes.
- Is asking the Tourism Fund to purchase/lease County land equitable and fair? Is the Commission treating all the County funds similarly? Meaning would other funds also be required to purchase/lease the land they occupy that may have been purchased using a separate fund, e.g. Animal Care facility.