



**MEETING DATE:** April 13, 2022

**REQUEST:** Consideration and Possible Adoption of Resolution 2022-05 authorizing the Mayor to execute an Interlocal Agreement and Governing Document by and between the Downtown East Streetcar Sewer Public Infrastructure District, a Local District and political subdivision of the State of Utah (that will be formed by South Salt Lake City) and South Salt Lake City, a municipality and political subdivision of the State of Utah, which are required conditions to the creation of the Downtown East Streetcar Sewer Public Infrastructure District;

Consideration and Possible Adopting of Resolution 2022-06 a Resolution Creating the Downtown East Streetcar Sewer Public Infrastructure District, subject to a certain Interlocal Agreement and Governing Document and the terms of governance thereof and authorizing the Mayor to execute any additional document required to create the Downtown East Streetcar Sewer Public Infrastructure District under certain conditions

**PETITIONERS:** EP Investments III, LLC (Scottsdale, AZ), Burton and Main Street, LLC (Forrest Hills, NY), PG Investments 2, LLC (Salt Lake City, UT), California Bangerter Office, LLC (Salt Lake City, UT), BRC ADG QOZB 1 JV, LLC (Draper, UT), A-8 South Salt Lake, LLC (Holladay, UT), SSLC Main Street Apts, LLC (Salt Lake City, UT), Greensides Investments, LLC (Salt Lake City, UT), Panama Partners, LLC (South Salt Lake City, UT) Edison Way, LLC (Reno, NV), LD Investments, LLC (Salt Lake City, UT), Utopia Properties QOZB, LLC (Salt Lake City, UT), North 300 West Owner, LLC (Palo Alto, CA) SODO 1 Owner, LLC (Salt Lake City, UT)

**MEMO:**

The proposed Resolution to Approve the Downtown East Streetcar Sewer Public Infrastructure District Interlocal Agreement and Governing Document and the proposed Resolution to Create the Downtown East Streetcar Sewer Public Infrastructure District are the next steps to implement the City’s PID Policy Statement, which was adopted by the City Council in April 2021. The list below provides a summary of the documents scheduled for Council consideration and the documents scheduled for council action.

DOCUMENTS SCHEDULED FOR COUNCIL CONSIDERATION	DOCUMENTS SCHEDULED FOR COUNCIL ACTION
April 2021 Public Infrastructure District Policy Statement	
Resolution to Approve the Downtown East Streetcar Sewer Public Infrastructure District Interlocal Agreement and Governing Document	✓
Downtown East Streetcar Sewer Public Infrastructure District Governing Document	
Resolution Petition to Create Downtown East Streetcar Sewer Public Infrastructure District	✓
Petition to Create Public Infrastructure District	

## BACKGROUND

Last year, the Council considered and adopted a Public Infrastructure District Policy Statement (PID Policy) that established the parameters under which the City would consider creating a separate governmental entity (a PID) to build, finance, and then dedicate to the City specific sewer line, holding tank, and sewer lift station improvements that will allow private development of approximately 44 acres in the Downtown MPMU and East Streetcar Neighborhood zoning districts. As you may recall, the PID Policy was the first step in a new statutory process to create a public financing method for new public infrastructure that will serve private development within a specific area of the City

In April 2021, the City determined that it would consider creating a PID for these specific improvements if, among other things, the Council:

1. Received a petition from the affected property owners asking to form a PID; and
2. If there were sufficient assurances, in the Governing Document, which precedes the formation of the PID, which demonstrate that the PID would:
  - a. Be subject to the same ethics, audit, and budgeting laws that govern the City;
  - b. Be financed through an acceptable maximum mill levy;
  - c. Assure that the creation of the district would not unduly burden the ultimate residents within the PID;
  - d. Assure that specific infrastructure would be dedicated to the City by a specific date or time frame;
  - e. Be limited to this one governmental task; and
  - f. Cease to exist as a separate governmental entity once the infrastructure financing has been retired.

In keeping with the letter and spirit of the April 2021 PID Policy, City staff has negotiated the terms of the Governing Document and Interlocal Agreement that will act as the constitution or enabling charter for the new PID. Three weeks ago, staff received a petition from fourteen property owners, and their corresponding developers, who would like to create a PID to construct required sewer improvements. The PID would encompass approximately 44 acres, with the potential to add almost 200 additional acres if those property owners so desired. The Petitioners have asked the City to create the new PID that will tax their properties, over a 30–50-year period, to fund those sewer improvements that are required for further development of their properties.

Staff has included their signed PID petition in this packet. The petition includes 76 individual properties, totaling 44.109 acres, which are owned by fourteen separate entities. The petitioning PID property owners are:

1. EP Investments III, LLC (Scottsdale, AZ)
2. Burton and Main Street, LLC (Forrest Hills, NY)
3. PG Investments 2, LLC (Salt Lake City, UT)
4. California Bangerter Office, LLC (Salt Lake City, UT)
5. BRC ADG QOZB 1 JV, LLC (Draper, UT)
6. A-8 South Salt Lake, LLC (Holladay, UT)
7. SSLC Main Street Apts, LLC (Salt Lake City, UT)
8. Greensides Investments, LLC (Salt Lake City, UT)
9. Panama Partners, LLC (South Salt Lake City, UT)
10. Edison Way, LLC (Reno, NV)
11. LD Investments, LLC (Salt Lake City, UT)
12. Utopia Properties QOZB, LLC (Salt Lake City, UT)
13. North 300 West Owner, LLC (Palo Alto, CA)
14. SODO 1 Owner, LLC (Salt Lake City, UT)

See PID Petition Exhibit A parcel list and Exhibit B1-B5 Maps. PG Investments 2, LLC (Dakota Pacific) is the designated sponsor and the City's contact entity for the petition.

The proposed Governing Document, which includes a proposed Interlocal Agreement, has been thoroughly negotiated with the petitioners, their financial consultants, and the bond council who will advise the PID once it is formed. The Governing Document, attached hereto, sets forth the principals under which the new PID will have authority to operate. To summarize, the Governing Document provides for the following:

1. Initially, the PID will be governed by a board that will be comprised of the following representatives from the original property owners:
  - a. Ryan Barker (Alliance Residential, LLC/EP Investments III, LLC)
  - b. Jason Algaze (Bronstein Properties LLC/Burton and Main Street, LLC)
  - c. Jeff Gochmour (Dakota Pacific, LLC/PG Investments 2, LC)
  - d. Bryce Baker (DB Urban Communities/Alpha Development Group, LLC/BRC ADG QOZB 1 JV, LLC)
  - e. Brent Malili (Forza Development, LC/A8-South Salt Lake LLC/Intermountain Centre 1, LLC/SSLC Main Street Apts, LLC)
  - f. Glenn Girsberger (J. Fisher Companies, LLC/Greensides Investments, LLC)
  - g. Marc Menlove (MKM Investment, LLC/Panama Partners, LLC/Panama Partners West, LLC)
  - h. Ross Robb (Parallel Group, LLC/Edison Way, LLC)
  - i. Tyson Williamson (The Will Group, LLC/LD Investments LLC/Utopia Properties QOZB, LLC)
  - j. Jason Oberman (Bloz Ventures RE, LLC/North 300 West Owner LLC)
  - k. Arthur Woodbury (Woodbury Corporation/SODO 1 Owner, LLC)
2. Once the PID Area is redeveloped, and there are residents that occupy the new structures that will be built on the properties, the PID board will be elected by the voters within the PID. (Currently, there are no residents within the PID Area)
3. The PID board will issue bonds to pay for the construction of a new sewer line, holding tank, and sewer lift station that will support new development within the PID.
4. The PID board will then contract with the City to manage the construction of the new sewer line and lift station, on their behalf, all to the City's specifications (and all at no cost to the City).
5. Once the sewer improvements are complete, the PID board will offer to dedicate the improvements to the City, at no cost to City, and will warrant their workmanship for a year after the dedication.
6. The bonds will be paid for by a new mill<sup>1</sup> levy (property tax) on the properties within the PID.
7. Because the new PID property tax likely will be passed on to the new residents and businesses within the PID through their rent, the Governing Document strictly limits the PID mill levy to 3 mills<sup>2</sup>. (Without these limitations imposed by the Governing Document, the statute authorizing PID financing would allow a PID board to levy a property tax of up to 15 mills.)

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<sup>1</sup> Mill rate is also known as the millage rate. The term "millage" is derived from a Latin word *millesimum*, meaning thousandth, with 1 mill being equal to 1/1000th of a currency unit. As used in relation to property tax, 1 mill is equal to \$1 in property tax, which is levied per \$1,000 of a property's determined taxable value.

<sup>2</sup> The South Salt Lake mill levy in support of the City's General Fund is 1.536 mill, or approximately one half of that for which the PID taxing authority will be authorized. The PID mill levy will be an additional tax but will only burden those properties within the PID Area.

8. Initially, the PID will include the original 76 properties owned by the original 14 owners (44.109 acres).
9. The sewer improvements that will be financed by the PID may benefit additional properties within the Downtown and East Streetcar districts.
10. These potentially benefitted properties have been included in the PID’s “Annexation Area”. (Governing Document Exhibit B)
11. Because the Governing Document describes the PID Annexation Area boundary as the current boundary of the Downtown MPMU and the East Streetcar Neighborhood districts, any of the property owners within the Annexation Area may annex into the Downtown East Streetcar Sewer Public Infrastructure District and commit to tax themselves under the PID mill levy, without any additional action on the part of the City, and without the vote of any resident within the annexing area (unless the resident is also an owner).
12. The Governing Document limits both the maximum interest rate (10%) and the maximum discount rate (3%) that may be offered to market the PID bond(s).
13. The Governing Document also limits the principal bond amount to \$20 Million.
14. While the cost of sewer improvements is anticipated to be \$14 Million, the PID bond principal may reach a maximum amount of \$20 Million.
15. The difference between the \$14 Million infrastructure cost and the \$20 Million bond amount covers the cost of the initial bond financing and “capitalized interest” included in the bond amount.
16. Capitalized interest is the amount of money required to pay premiums on the bond from the date of the bond issuance to the date on which new development is complete and is assessed in a sufficient amount to fully cover debt service on the bond.

Staff has explored several alternatives to creating a PID with the petitioners, the petition sponsor, and their advisors. The primary alternative to creating a PID involves the petitioner’s direct responsibility to fund their needed sewer improvements from their individual construction budgets. This alternative would require the petitioners to bear the risk of a \$14 Million sewer improvement, without any guaranteed repayment from tax revenues.

Other alternatives, such as a general sewer rate increase, or a general fund subsidy, would transfer the cost of development attributed to these 76 parcels to the citizens of South Salt Lake City. Finally, staff explored the potential for a sewer impact fee increase that would be sufficient to pay for \$14 Million in additional sewer improvements. This impact fee alternative would not result in the construction of the required sewer improvements for many, many years and would delay development of these properties for an undetermined, but unacceptably long duration, from the perspective of the developers.

#### **POLICY DECISIONS**

- Does the Council wish to create the Downtown East Streetcar Sewer Public Infrastructure District?
- Is the Governing Document consistent with the Council’s April 2021 PID Policy?
- Are the terms of the Governing Document sufficient to protect the public interest, and the interests of the residents and property owners who will bear the burden of the additional property tax associated with the creation of the PID?
- Is there a better alternative to creating the PID?

#### **POTENTIAL ACTION ITEMS**

- Consideration and possible adoption of a Resolution to Approve the Downtown East Streetcar Sewer Public Infrastructure District Governing Document and Interlocal Agreement
- Consideration of and possible adoption of Resolution to Create the Downtown East Streetcar Sewer Public Infrastructure District

**STAFF RECOMMENDATION**

Staff recommends adoption of both Resolutions, subject to the assembly of certain missing exhibits in the creation resolution. If Council agrees, the motions should read:

“I move to approve Resolution 2022-05, A Resolution authorizing the Mayor to Execute an Interlocal Agreement and Governing Document, by and between the Downtown East Streetcar Sewer Public Infrastructure District Infrastructure District No. 1, a Local District and political subdivision of the State of Utah (that will be formed by South Salt Lake City), and South Salt Lake City, a municipality and political subdivision of the State of Utah, which are required conditions to the creation of the Downtown East Streetcar Sewer Public Infrastructure District.”

and

“I move to approve Resolution 2022-06, A Resolution creating the Downtown East Streetcar Sewer Public Infrastructure District, a newly formed Independent Local District within South Salt Lake City, subject to a certain Interlocal Agreement and Governing Document and terms of governance thereof and authorizing the Mayor to execute any additional document required to create the Downtown East Streetcar Sewer Public Infrastructure District under certain conditions.”