NOTICE OF A SPECIAL SESSION OF THE
VINEYARD REDEVELOPMENT AGENCY BOARD
125 South Main Street, Vineyard, Utah
December 18, 2018 – 6:04 PM

Present	**Absent**
Chair Julie Fullmer	
Boardmember John Earnest	
Boardmember Tyce Flake	
Boardmember Chris Judd	
Boardmember Nate Riley	

Staff Present: City Manager/Finance Director Jacob McHargue, Public Works Director/City Engineer Don Overson, Community Development Director Morgan Brim, City Planner Elizabeth Hart, City Recorder Pamela Spencer

Others Speaking: Brian Hansen, Eric Towner, and Steve Hutchings with X Development, David Allred with The Golf Club

6:04 PM SPECIAL SESSION

Chair Fullmer called the meeting to order at 6:04 PM. Boardmember Earnest gave the invocation.

BUSINESS ITEMS

2.1 DISCUSSION AND ACTION – The Yard Reimbursement Request

Brian Hansen representing The Yard is requesting RDA assistance to help in bringing in a golf facility user such as Topgolf or similar to The Yard. The facility would boast the most up to date technology in the golf facility arena. It will include luxury golf hitting and lounge bays, full service dining facilities, full service bar, corporate event spaces, private party space, and concert venue space. This entertainment use will help combine with the Megaplex to make this site the premier entertainment hub of Utah County. With the addition of the golf facility The Yard (B) will become extremely attractive to a variety of uses including 160,000 square feet of professional and medical office as well as 20,000 more square feet of retail uses. *(This item was continued from the December 12, 2018 meeting.)*

Chair Fullmer turned the time over to City Manager/Finance Director Jacob McHargue.

Mr. McHargue explained that he had sent out a recommendation to the RDA Board, based on an analysis that he did, to meet the requirements presented at the last meeting. He said that the recommendation was an upfront contribution of $450,000 towards the impact fees, an annual contribution of 55 percent of the tax increment from years 1 to 5 and an annual contribution of 25 percent in years 6 to 10. He explained that he realized that there was a rent escalator built into the investor pro forma, which did not exist. He said that the numbers presented earlier would not work and that they were working on other solutions. He said that they had talked about looking at a higher contribution upfront but still ending the annual contribution earlier than the requested 25 years. He mentioned that the developer had received approval from the bank to lower the annual contribution to 20 years.

Brian Hansen with X Development explained that they had been working with the lender to come up with numbers that would work.

Eric Towner with X Development explained that to shorten the term they needed to present the bank with the amount the RDA would be willing to do. He said that they lived in a real world where they had to have the incentives to bring in developments. He felt that Vineyard did not have the demand that would bring popular uses to the city. He also felt that it was in the best interest for the city to bring in tax dollars. He mentioned that there could be an additional $20 to $30 million in sales tax revenues if they could build out the retail in front of the Megaplex. He said they had 70,000 square feet to build there and interested tenants, contingent on the day use.

Mr. McHargue explained that he had taken the debt coverage requirement based on 1.25 percent of debt service. He said that on the initial spreadsheet, in year 6 and 11 the annual debt coverage increased because of a rent escalator. The debt service amount of $1.2 million and the debt coverage at 1.25 percent was just shy of $1.5 million, which was the participation need based on a $500,000 upfront RDA contribution with a 20-year tax increment participation. He said that the bank needed something that would go through year 20. The net present value of that number would be $3.192 million. He explained that they would need to adjust it. The $216,000 per year would be 50 percent of the tax increment for 20 years. He stated that 75 percent of the tax increment, for this area, was the maximum that the RDA could pledge. He reviewed what net present values would be at other timeframes. He explained that the bank would take a 20-year term if the developer had a contribution from the RDA and that they would accept that as net operating income towards the developer’s debt service requirement. He said that he had mentioned to the developer that the RDA wanted a shorter term and they said that they would take it to the bank. He explained what they could do to shorten the term to 10 to 12 years.

Boardmember Earnest asked if the bank would be okay with the shorter term. Mr. Hansen replied that they were working with the bank to meet the required dollar amount.

Boardmember Earnest asked if the investment consultants felt that this was acceptable. Chair Fullmer replied that Lewis Young Robertson & Burningham (Lewis Young) had different numbers that they had looked at. Mr. McHargue explained he had met Lewis Young based on the previous numbers and had not given them the updated numbers.

Boardmember Riley asked if Mr. McHargue had looked at the language in the lease agreements to verify the numbers. Mr. McHargue explained that he had taken all of the documents they gave him and verified that the spreadsheet was doing what it was supposed to. He mentioned that the discrepancy was with the golf facility lease, which he had not been able to review. There was a discussion about the investor pro forma. He said that when doing an annual debt coverage, he found an increase in years 6 and 11, which was not accurate.

Boardmember Earnest asked what the new numbers were. Mr. McHargue explained that the numbers that the developer would need were a $500,000 upfront contribution and 50 percent of the increment for 20 years, which would be a $216,000 annual contribution, or a $500,000 upfront contribution and 75 percent annual contribution for 10.5 years to get to the same number at a net present value of $3.2 million or $330,000 annually. He explained how the tax increment would work. There was a discussion about the annual numbers and the timeframe.

Mr. Towner asked if there was a way to incorporate sales tax into the equation. He felt that driving sales tax could be an incentive. Mr. McHargue explained that the sales coming off of the golf facility were incorporated into the spreadsheet. Mr. Towner felt that there would be an impact to the surrounding areas if the golf facility came in.

Mr. Hansen stated that they were trying to create the entertainment hub for Utah County. He explained that the Megaplex currently brought in close to one million people a year and that the golf facility would bring in around 500,000 people in its first year. He felt that they could bring 600,000 to 800,000 people into the site annually. He said that with the new site plan for the golf facility they were able to increase the retail space. He reiterated that the retail area needed daytime use. He said that they realized that this was a large request, but they were looking at different options that would work best for the city. He mentioned that the retail businesses in front of the Megaplex were intended to have sales from the offices in The Forge development and he wanted to accelerate the retail by bringing in the golf facility.

Chair Fullmer asked for further questions.

Boardmember Judd commented that he liked the fact that they were trying to get the number of years down. He said that he thought that they should have been able to see the actual incoming rents and if there were escalations. He felt that it put them in a hard situation trying to define the actual net need. He stated that the numbers were not correct and it was hard to make a decision. Mr. Towner mentioned that they had worked with their attorneys in order to disclose certain items. He felt that they had shared a fair number of documents. He explained that he had not signed a lease with the golf company, but had a signed Letter of Intent (LOI). He added that he had safeguards built into the agreements so that he did not have to develop the site until he found a creative use for it. He felt that he was proposing a way for the city to get sales tax dollars. He added that he was not willing to sign a lease with Mr. Allred until he had secured the RDA's assistance. Boardmember Judd stated that it did not get him to what the net need was so he did not know how to make a motion. He said that he did not want to give them more money than they actually needed. He felt that it was a bad investment if they were willing to sign a lease for 20 years at a fixed rate. He said that he needed to know what the potential escalations were. He wanted to know if this was a good investment for the RDA. Mr. Hansen suggested that they make the motion contingent on the information being accurate and if it was not then they could readdress the issue.

Chair Fullmer asked if this was something the board could to make a motion and put a contingency on or if they wanted to research it further.

Boardmember Riley felt that this was a huge letdown. He said that he did not want to feel like they were being pushed to make a decision at the 11th hour and in only one meeting. He stated that this was a game changer and caused him a lot of doubt. He said that there were promises made in the past and then nothing had happened. He was not opposed to the development but struggled with the finances and why the RDA had to be so committed. He thought that this would be a 10-year loan and that the developer would refinance and the long-term commitment for the RDA would be over. He stated that he agreed with Boardmember Judd and felt the it was not the role of government to be the long-term safety net for businesses. He said that he wanted the development to be successful and then be able to sever the connection. He also wanted to ask the bank why they were pushing their client to come and ask the RDA for longer terms. He felt that he could not make a vote with a contingency added and have confidence that it would do any good.

Chair Fullmer called for a motion. There was a discussion about whether or not to make a motion.

David Allred with The Golf Club stated that he had the expectation with his investment group, capital partners, ClubCorp, and BigShots and if he could not sign a lease with X Development by the end of the year, he would look at other cities. He stated that he needed to begin construction as soon as possible. He said that he attended a meeting earlier this year where Vineyard citizens were asking for entertainment so he felt that this would be a good place for his business. He mentioned that he had already invested more than $1 million to this site and had deadlines to meet. He felt that this process was taking longer than expected.

Boardmember Riley felt that if they had met in November, they could have had four meetings before they made a decision. He felt that Mr. Allred's group had spent a lot more time than that to come up with their plan and then they came to the RDA asking for a decision in one meeting, which the board had never done before.

Chair Fullmer stated that in the last meeting they did not have all of the information they needed. She felt they were making a life investment for the city, which the people would benefit from. She said that they had worked on it since the last meeting and then at this meeting, they found out they did not have the correct information. She felt that the board had been accommodating and then they found out that Mr. Allred was willing to look elsewhere if he had to wait another few weeks. She said that the board wanted to make the right decision. Mr. Allred stated that he had to meet the expectation of his capital partners and had made other expectations and was trying to manage it all. He felt that this was the perfect site. He said that he did not know why the numbers were wrong but felt this was a win-win for both sides.

Mr. Hansen mentioned that they had shared the LOI document with staff in previous meetings and that this was not something they were trying to hide.

Boardmember Earnest stated that he was a fan of this development for Vineyard. He felt that it came down to getting the numbers to a comfort level and having more transparency. He said that he would have a hard time looking at his neighbors if this facility went to another city. He was willing to make a motion with any contingencies that needed to happen.

Mr. McHargue felt that he had a unanimous vote for the recommendation he had made. He asked if that would give X Development and Mr. Allred a comfort level to move forward and work with staff on the numbers. Mr. Hansen replied that he had a pro forma the board liked but the numbers did not work for the bank. He suggested that they could bring in the banker to work with staff and individual board members. Mr. McHargue stated that he did not feel comfortable having only an hour to make a recommendation to the board. He felt that if he could get the approval, it would show the developers they had the RDA's support and then he could work with them over the next two weeks to get the correct numbers.

Mr. Towner stated that he was willing to work with the RDA, his brokers, tenants, and the lender to make things work. He said that he did not want to take public money but it was a competitive situation and he could not go past the end of the year. Chair Fullmer asked if it would work for him if they approved the current numbers with a contingency. Mr. Towner replied that he did not have the authority from his group to sign a lease with Mr. Allred based on the numbers presented today.

Mr. Hansen asked if they could do an approval based on something happening, with the amount being determined at a later date. Mr. McHargue asked if they approved, as a good faith motion, the $500,000 upfront with a $220,00 annual contribution for years 1 to 5 and an $85,000 contribution for years 6 to 10 to show them that they were committed and then work collectively over the next two weeks to get the numbers acceptable to everyone. Chair Fullmer felt that Mr. Allred would be able to go back to his group and show them that the RDA was working with them.

Boardmember Riley asked if the gap in the numbers was in the second 5 years of the 10-year term.

He suggested that they needed to find out, in the next two weeks, how to close that gap. He felt that they needed to compromise. Steve Hutchings with X Development asked about the net present value. Mr. McHargue replied that they were conceptually heavy on the front end, so the discount would not be very large.

Mr. Towner asked if the motion would be to approve the recommendation presented today. Mr. McHargue added that it would be with a stipulation that they work out new numbers. Mr. Towner stated that he could get extensions from his people. Mr. Hansen added that this was something that they would not be locked into. Mr. Towner asked if they could draft a contract based off of the current numbers, knowing that they did not really work, so he could get his attorneys working on the agreements.

Boardmember Riley said that if they were going to move forward, then he wanted to know with confidence that they would disclose the terms they had to have. Mr. Towner stated that they were willing to put timeline guarantees in the contract.

Chair Fullmer asked if they wanted to make a motion or if they wanted more discussion.

Boardmember Riley suggested that they allow someone on the board's staff to review the financial documents to provide confidence that the board was not giving away everything. Chair Fullmer asked that they make the documents open to everyone on the board. Mr. Towner agreed.

Motion: BOARDMEMBER EARNEST MOVED TO APPROVE THE YARD REIMBURSEMENT REQUEST WITH MR. MCHARGUE'S RECOMMENDATION OF $500,000 UPFRONT WITH $220,00 ANNUALLY FOR YEARS 1 TO 5 AND $85,000 ANNUALLY FOR YEARS 6 TO 10, WITH A STIIPULATION THAT THEY WORK OUT NEW NUMBERS, WITH A CONTINGENCY THAT THERE BE A DISCUSSION IN THE NEXT TWO WEEKS WHETHER THERE NEEDED TO BE MORE OR LESS MONEY, WITH TIMELINES, OR MORE CONTINGENCIES AND STIPULATIONS, BRING A CONTRACT BACK TO THE JANUARY 9 MEETING, AND VIEW THE DOCUMENTS UNDER CONFIDENTIALITY. BOARDMEMBER RILEY SECONDED THE MOTION. ROLL CALL WENT AS FOLLOWS: CHAIR FULLMER, BOARDMEMBERS EARNEST, FLAKE, JUDD AND RILEY VOTED AYE. THE MOTION CARRIED UNANIMOUSLY.

ADJOURNMENT
Chair Fullmer called for a motion to adjourn the meeting.

Motion: BOARDMEMBER FLAKE MOVED TO ADJOURN THE MEETING AT 7:10 PM. BOARDMEMBER RILEY SECONDED THE MOTION. CHAIR FULLMER, BOARDMEMBERS EARNEST, FLAKE, JUDD AND RILEY VOTED AYE. THE MOTION CARRIED UNANIMOUSLY.

RDA meetings are scheduled as needed.

MINUTES APPROVED ON: January 9, 2019

CERTIFIED CORRECT BY: /s/ Pamela Spencer
PAMELA SPENCER, CITY RECORDER