

# BOUNTIFUL REDEVELOPMENT AGENCY

## Meeting Minutes of: Tuesday, May 8, 2012

Location: City Council Chambers, Bountiful City Hall, 790 South 100 East, Bountiful, Utah

Present: Chairman – Joe Johnson, Board Members – Richard Higginson, Beth Holbrook, John Marc Knight, Fred Moss, Tom Tolman; City Manager/Attorney - Russell Mahan; Redevelopment Director – Aric Jensen; City Engineer - Paul Rowland

Excused: Board Member John Marc Knight – arrived at 6:28

### Welcome

1. Chairman Joe Johnson opened the meeting at 6:23 p.m. and welcomed those in attendance.

### Agenda Items

2. **Consider approval of the minutes for November 15, 2011.**

Approval of November 15, 2011 minutes were tabled.

3. **Consider a loan request from S.K.C. LC, 2155 S. Orchard Dr., Brian Knowlton and Stephen Story, principals.**

Brian Knowlton was present. Redevelopment Director Aric Jensen presented the staff report.

S.K.C. LC requests a low interest loan for a new mixed use building located within the existing Orchard Pines development at 2155 South Orchard Dr. This project was recently granted final site plan approval by the City Council.

The total costs of the construction and land are \$1,259,400. The applicant is requesting a \$250,000 loan from the RDA and a \$759,400 commercial loan, which is approximately a 80% loan-to-value ratio.

Staff's opinion is that the applicant's proposed project meets the requirements for a low interest loan; however, the current policy also states that priority shall be given to projects within the Downtown area. As such, staff recommends a loan of \$200,000 which would bring the LTV down to 76%, which is closer to staff's preferred maximum LTV of 75%.

Recommendation to approve a loan to S.K.C. LC, with following terms:

Loan Value	\$200,000
Amortization Period	10 years
Balloon Payment (Call)	At the end of 5 years
Interest Rate	3%
Payment Schedule	Monthly
Security	Second position on the property behind a maximum \$759,400 commercial loan.
Other	This offer sunsets May 1, 2013, is not assignable, and may not be extended.

Board Member Fred Moss made a motion to approve a loan request from S.K.C. LC, 2155 S. Orchard Dr., Brian Knowlton and Stephen Story, principals, as recommended by staff. Board Member Beth Holbrook seconded the motion. Chairman Johnson and Board Members Higginson, Holbrook, Moss, and Tolman voted “aye”. Voting was 5-0 in favor.

Board Member John Marc Knight – arrived at 6:28

**4. Consider a loan request from Deseret Landco LLC, 290 S. Main St., Garrett Robertson, manager.**

Redevelopment Director Aric Jensen presented the staff report.

Deseret Landco, LLC, requests a low interest loan for the renovation of the existing Duncan Lighting building at 290 S. Main Street. As a brief history, Deseret Landco received a \$250,000 loan from the RDA in October of 2010 for the renovation of the Bountiful Lumber Building. That loan was paid off in full in March of 2012 – more than three years ahead of schedule.

The purchase price of the Duncan Electric property was \$995,000, and the estimated cost of the renovation is approximately \$500,000. The applicant is using equity from the existing Bountiful Lumber property in the form of a loan of \$1,550,000 from Zions Bank, which is secured by both the Duncan Electric property and the Bountiful Lumber property. As such, any loan from the RDA would also need to be secured by both properties and would be in a second position behind Zions Bank.

Using the appraised value of \$1,210,000 for the Bountiful Lumber property and an estimated project value of \$1,495,000 for the Duncan Electric property, the loan-to-value of the proposal is approximately 58%. A review of the proforma indicates that the projected rent revenues, debt to equity ratios, and other risk indicators are within acceptable parameters.

Recommendation to approve a loan to Desert Landco, LLC, with following terms:

Loan Value	\$250,000
Amortization Period	10 years
Balloon Payment (Call)	At the end of 5 years
Interest Rate	3%
Payment Schedule	Monthly
Security	Second position on both the Duncan Electric and Bountiful Lumber properties, behind \$1,550,000 loan from Zions Bank.
Other	This offer sunsets May 1, 2013, is not assignable, and may not be extended.

Skyler Robertson of Deseret Landco, LLC clarified that the use of the new building will stay as office/retail space with some of the existing tenants remaining.

Mr. Jensen stated that a personal guarantee was not needed for Deseret Landco, LLC, as staff felt that the property collateral was sufficient for this loan.

Board Member Richard Higginson made a motion to approve a loan request for Deseret Landco LLC, 290 S. Main St., Garrett Robertson, Manager with the terms set forth. Board Member John Marc Knight seconded the motion. Chairman Johnson and Board Members Higginson, Holbrook, Knight, Moss, and Tolman voted "aye". Voting was 6-0 in favor.

5. **Consider loan Subordination for existing Creative Arts Academy/Historic Bountiful Theater loan.**

Considered at the end of the meeting.

6. **Review existing FY 2012 RDA budget and proposed RDA FY 2013 Budget.**

Redevelopment Director Aric Jensen presented the staff report. The Cash Reserves Report states that the RDA has sufficient cash reserves to cover its on-going costs. This does not include the \$1.6 million needed for the parking structure obligation. However, the RDA will be receiving a \$1.5 million from the county in tax increment; \$400,000 in November 2012 and \$1.1 in February/March 2013. At no point will the RDA be unable to cover its obligations when things come due. The RDA will not have as much coverage as it has had in the past. In the spring of 2016, the RDA will receive its last tax increment payment. Staff feels that the RDA will be able to meet all its obligations and still cover the construction funds of \$1.8 million for the Art Center and Museum.

Mr. Jensen mentioned that the Draft Budget is missing the amended FY 2012 figures. He is waiting for the April closing numbers and will update it when he receives them.

7. **Schedule a Public Hearing for May 22, 2012, to amend FY 2012 RDA Budget and approve FY 2013 RDA Budget.**

Board Member Richard Higginson made a motion that the existing FY 2012 RDA Budget and proposed RDA FY 2013 Budget has been reviewed and to schedule a Public Hearing for May 22, 2012 at 6:45, to amend the FY 2012 RDA Budget and approve the FY 2013 RDA Budget. Board Member Beth Holbrook seconded the motion. Chairman Johnson and Board Members Higginson, Holbrook, Knight, Moss, and Tolman voted “aye”. Voting was 6-0 in favor.

**8. Consider the expenditure of RDA tax increment funds for the renovation of the Bountiful Davis Arts Center.**

Mr. Russell Mahan requested that this item be tabled until the next RDA and City Council Joint Meeting.

**5. Consider loan Subordination for existing Creative Arts Academy/Historic Bountiful Theater loan.**

Redevelopment Director Aric Jensen presented the staff report. Sean Monson , representing Creative Arts requests a loan subordination to the existing loan for the Creative Arts Academy building at 165 S. Main Street. The RDA is currently in a second position behind a \$150,000 loan from US Bank, with a balance of approximately \$65,000 on the original \$92,000 loan, and a call date of January 1, 2014. Mr. Monson would like to extend his loan from US Bank an additional \$100,000, at which point the RDA would still be in a second position, but behind \$250,000. The additional \$100,000 would be used to finish the new addition to the Creative Arts Academy, located at 185 S. Main St.

The RDA Staff has reviewed this request and believes that there is little risk to the Agency as the value of the property used as collateral is approximately \$1,000,000, and the loan-to-value ratio as proposed would be approximately 32%. Furthermore, the additional funds would be used exclusively for an eligible project on Main Street, and will provide future tax increment revenue. Staff recommends approval of the requested loan subordination, as proposed.

Board Member Fred Moss made a motion to approve the loan Subordination for the existing Creative Arts Academy/Historic Bountiful Theater loan pending approval of form by the City Attorney. Board Member John Marc Knight seconded the motion. Chairman Johnson and Board Members Higginson, Holbrook, Knight, Moss, and Tolman voted “aye”. Voting was 6-0 in favor.

**Misc.**

RDA Board requested a current report showing the status of all active RDA loans.

**Adjourn**

Chairman Joe Johnson ascertained that there were no other items to discuss. Board Member Richard Higginson made a motion to adjourn the meeting. Board Member Beth Holbrook seconded the motion and voting was unanimous in favor. Chairman Johnson and Board Members Higginson, Holbrook, Knight, Moss, and Tolman voted “aye”. Voting was 6-0 in favor. The meeting was adjourned at 6:45 p.m.