

**REDEVELOPMENT AGENCY OF TAYLORSVILLE
BOARD MEETING
AGENDA ITEM SUMMARY**

MEETING DATE: August 15, 2012

AGENDA ITEM: Project Chronos – Approval of Bond Draw in the Amount of \$394,500 and associated fees.

PRESENTER: Donald Adams

ISSUE SUMMARY: The policy for bond draws for incentives requires that the Agency Board concur with Administration prior to drawing on the existing bond series.

The attached Letter of Intent outlines the terms agreed upon by the parties to have the auto dealership relocate to 4238 South Redwood Road. Prior to distribution of any funds, the City and the Dealership will enter into a formal agreement. Provisions have been made for contingency on repayment over the 11-year bond period.

STAFF RECOMMENDATION: Conduct a roll call vote in favor of directing Administration to complete a final agreement and draw on the current bond series in the amount of \$394, 500.

CITY ATTORNEY (Approved as to form)

RECOMMENDED MOTION: I move to allow and direct the Agency Administration to proceed with the required bond draw and contractual obligations required to complete the incentive for Project Chronos.

ACTION REQUIRED: Motion and Roll Call Vote.

ATTACHMENTS: Yes

- Project Chronos LOI

CONTACT INFORMATION: Donald Adams 801.963.5400 / 801.558.8795 / dadams@taylorsvilleut.gov



July 31, 2012

Russ Wall

Mayor

Dama Barbour
Ernest Burgess
Larry Johnson
Kristie S. Overson
Jerry W. Rechtenbach

Council Members

Nick Markosian
Markosian Auto Plaza
3899 South Redwood Road
West Valley City, Utah 84119

SUBJECT Letter of Intent to Reimburse Funds for Certain Identified Improvements

Dear Nick:

This letter of intent ("Letter") sets forth the general parameters pursuant to which the City administration would recommend to the Redevelopment Agency of Taylorsville City ("RDA") reimbursement of funds for certain improvements as identified herein. The recommendation is in two phases and would be based upon the following provisions:

1. Markosian will move its operations, known as West Valley Auto Plaza, from 3899 South Redwood Road to 4238 South Redwood Road, Taylorsville, Utah ("New Location"), and operate under the name of Markosian Auto.
2. Incident to such move, Markosian will add improvements depicted in Exhibit "A" to the New Location as part of Phase 1 of its operations (collectively "Phase 1 Improvements").
3. Also incidental to such move, Markosian will add an auto sales showroom and related facilities to the New Location as part of Phase 2 of its operations (collectively "Phase 2 Improvements").
4. Markosian has engaged an architect to design the Phase 1 and 2 Improvements. The design of the Phase 1 and 2 Improvements are subject to City's regular review and approval process.
5. Markosian will engage a contractor that is acceptable to the City to provide construction cost estimates of the Phase 1 and 2 Improvements.

2600 West
Taylorsville Boulevard

Taylorsville,
Utah
84129

801-963-5400

Fax
801-963-7891

Website
www.taylorsvilleut.gov

6. With respect to Phase 1 Improvements, the RDA will reimburse ("Phase 1 Reimbursement") Markosian in an amount not to exceed \$394,500 in order to facilitate construction of the Phase 1 Improvements.
7. If the RDA is satisfied with the status of the operations, then with respect to Phase 2 Improvements, the RDA will reimburse (Phase 2 Reimbursements) Markosian in an amount not to exceed \$250,000 in order to facilitate construction of the Phase 2 Improvements.
8. The RDA will reimburse Markosian, provided the funds are expended for construction approved by the RDA and the City.
9. The RDA will pay the Phase 1 and 2 Reimbursements based on contractors' invoices and after review and approval of the related improvements.
10. Phase 1 and 2 Reimbursements will be jointly payable to Markosian and the contractor(s).
11. The RDA will obtain the funds for the Phase 1 and 2 Reimbursements by bonding and will pass the interest expense plus an additional one (1) percent and all costs of financing through the terms of the repayment further detailed below.
12. The general summary of the bond terms is as follows;
 - a. The repayment will be over a period not to exceed eleven years.
 - b. A debt service reserve will be funded from the bond proceeds and held in a trust account as further debt security. The RDA will utilize funds received from the incremental interest charged above the bond interest to add to the reserve to add further security to the transaction.
 - c. The debt service will be structured with substantially level debt service payments.
 - d. The costs of financing the bonds will be built into the bond issuance amount.
13. It is anticipated that the bonds will be repaid from 75% of the point of sales tax generated from Markosian in the New Location. An estimate and illustration is attached as Exhibits "B" and "C." Should the point of sales tax in any given year be insufficient to repay the debt service due that year, then the shortfall would be drawn from the debt service reserve fund ("Reserve"), and Nick Markosian would personally agree (personal guarantee) to replenish the draw on the Reserve within one year from the draw date. The RDA would notify Markosian in writing of the draw made on the Reserve and the date the Reserve will need to be replenished.

14. Other potential penalties may be imposed if the Reserve is not replenished in a timely manner.
15. This Letter shall not constitute a legal binding agreement of the City or the RDA or place legally enforced obligation upon the City or the RDA. Rather, this Letter is intended to establish the basic terms and conditions to guide the parties in the preparation of a definitive agreement more fully describing the rights, duties, obligations, and other terms and conditions to govern the relationship of the parties. The initial draft of the definitive agreement shall be prepared by the City and shall contain the customary representations, warranties, and covenants, including various indemnification and remedies by which the parties' future relationships will be governed.
16. Markosian understands that the City may become privy to proprietary information during the discussion process, and Markosian acknowledges that such information is subject to the Government Records Access Management Act.

Cordially,
CITY OF TAYLORSVILLE



Donald Adams
Economic Development Director

DA/jka

Enclosure

cc: City File

EXHIBIT "A"
Project Improvements

Exhibit A
Project Improvements

Item No.		Costs Submitted	Qualifying Costs
1	New addition to the existing building (four vehicle bays with lifts, customer waiting area, service manager office, restrooms) approx. sq. ft. of area @ \$95.00 per sq. ft. 1800	\$173,000	\$173,000
2	Two additional service bays	\$47,000	\$47,000
3	Asphalt repair-reconditioning	\$45,000	\$45,000
4	Existing building remodel (new roof, paint interior, exterior and floor, paint, glass)	\$35,000	\$35,000
5	Fencing, site proof with (2) gates, 300 linear feet	\$30,000	\$30,000
6	Landscape (3,300 SF)	\$20,000	\$20,000
7	Signage (electronic message sign/center)	\$27,000	\$27,000
8	Entry concrete flatwork (1,000 SF)	\$7,500	\$7,500
9	Northern Redwood Road Access Removal Allowance	\$10,000	\$10,000
Total		\$394,500	\$ 394,500

EXHIBIT "B"
 Tax Increment Estimate
 Phase 1

Exhibit B
Sales Tax Increment Estimate
Phase 1

Tenant Name	Square Footage	Acreage	Projected Sales Increase	Sales / PSF	Estimated Sales Tax Revenue (POS .5%)	Estimated Sales Tax Revenue (Population Distribution .5%)
Project Chronos						
Auto Sales			\$ 12,000,000		\$ 60,000	
Leasing			\$ 1,500,000		\$ 7,500	
Repair Shop			\$ 750,000		\$ 3,750	
Sub Total			\$ 14,250,000		\$ 71,250	\$ -

Total	\$ 71,250
% TIF Pledged	75%
Pledged TIF	\$ 53,438
Loss of Existing Revenue	\$ -
Total Pledged and Loss	\$ 53,438
New Net Annual Income to the City	\$ 17,813

Future Value of Tax Increment	
Total Annual Incremental Sales Tax Value	\$ 71,250
% Pledged	75%
Total Annual Incremental Sales Tax Value Pledged	\$ 53,438
TEDIF Contribution	\$ -
Special Improvement District	
Total Contribution	\$ 53,438
Rate	4.50%
Term	11
TIF Bond	\$455,764
	\$455,764

EXHIBIT "C"
 Tax Increment Estimate
 Contemplated Phase 2

Exhibit C
 Sales Tax Increment Estimate
 Contemplated Phase 2

Tenant Name	Square Footage	Acreage	Projected Sales Increase Over and Above Phase 1	Sales / PSF	Estimated Sales Tax Revenue (POS .5%)	Estimated Sales Tax Revenue (Population Distribution .5%)
Project Chronos						
Auto Sales			\$ 7,000,000		\$ 35,000	
Leasing			\$ 1,000,000		\$ 5,000	
Repair Shop			\$ 750,000		\$ 3,750	
Sub Total			\$ 8,750,000		\$ 43,750	\$ -

Total	\$ 43,750
% TIF Pledged	75%
Pledged TIF	\$ 32,813
Loss of Existing Revenue	\$ -
Total Pledged and Loss	\$ 32,813
New Net Annual Income to the City	\$ 10,938

Future Value of Tax Increment	
Total Annual Incremental Sales Tax Value	\$ 43,750
% Pledged	75%
Total Annual Incremental Sales Tax Value Pledged	\$ 32,813
TEDIIF Contribution	\$ -
Special Improvement District	
Total Contribution	\$ 32,813
Rate	4.50%
Term	11
TIF Bond	\$279,855
	\$ 279,855