

## OLYMPIA WORKING GROUP SUMMARY FINANCE

**Date:** June 4, 2021

**Time:** 10:00am – 11:15am

**Attendees:** Jared Henderson, Steven Shields, Chase Andrizzi, Wendy Thomas, Tami Moody, Alan Rae, Justin Sorenson, Olympia Development Team

The Finance group is waiting for the Infrastructure group to finish generating estimates for project costs for infrastructure within the Olympia development.

The group discussed the method by which the fees will be assessed—standard impact fee vs. flat contract fee vs. public infrastructure district (PID). It was noted that there could be multiple kinds of funding mechanisms for different infrastructure types, i.e. roads paid by a PID, parks on a contract fee, special service area, etc. For all options, a study would need to be completed. Additionally, for whatever funding mechanism is used, a capital facilities plan will need to be formulated. The development team noted they have completed such a plan, but that the City may need a third-party study. The City will work to hire a consultant right away and it is anticipated that the related study will take 4-6 weeks.

Another funding mechanism briefly discussed was a special assessment area bond, in which lots are assessed a certain amount of money, and when the lot or subdivision is sold, that portion of the SAA is paid off. It was noted that land owners involved in the project would likely not pledge property as collateral.

One point made was that impact fees and PIDs are easier to administer than contract fees, but contract fees allow more flexibility—both in terms of use and time. Contract fees aren't limited to the five to six years that impact fees are, and they can be used flexibly on various types of projects (whereas impact fees are restricted by types of projects). The group noted that with a project of this scale, impact fees may not be wise due to their five to six-year time horizons. A flat fee gives flexibility for long-term growth. It was also noted that contract fees are easier to renegotiate as time goes on, based on real-time costs of projects. It was suggested that there be project “checkpoints,” where if the cost of a specific project was projected initially as, for example, \$1 million, and in actuality, it cost \$1.5 million, it may be time to revisit the contract fee amount to make sure costs are covered within the project.

It was suggested that maybe those contract fees are agreed to be revisited annually. A hurdle with that solution is that subdivision applications may not line up neatly with timelines of revisiting the agreement. One suggestion was to lock in a subdivision's contract fee rate at the time the plat is vested. The group also discussed the fact that interests are aligned as far as infrastructure funding. Neither side wants there to be a deficit because then infrastructure doesn't get built, which hurts

everyone. The developer noted they are okay if there is a surplus resulting from the contract fee, so long as the money is going to enhance projects in (or resulting from) Olympia. One downside to contract fees is if prices go up really fast, then the City/developer are left in a hole paying for needed infrastructure before renegotiation can occur. That problem is the same with impact fees, but PIDs are percentage-based, so they rise and fall with home prices. It was noted that great care must be taken in drafting an agreement for contract fees to ensure the interests of all sides are protected for years to come. The group also discussed having separate contract fees for commercial, single-family, and multi-family areas within the project.

The development team stated that a PID analysis has been completed with Salt Lake County. If annexing into Herriman City, the study would need to adjust to factor in Herriman water infrastructure rather than solely Jordan Valley Water Conservancy District infrastructure, as it is now. It was stated that the difference with a PID is that money is available up-front, compared to the reimbursements provided by the other methods. The group agreed there is no silver bullet solution, but that each factor must be analyzed to find the best solution or combination of solutions. Not enough is known yet to make that call.

It was pointed out that one thing going for all parties involved is that the State has control of some federal infrastructure funding that is being directed toward projects in the state. The State has appropriated some of it, but there is still funding available. There are opportunities for grants to help answer some funding questions within and around the Olympia development as voices unite. Another factor discussed was the Southwest Visioning Study and the need for major infrastructure, like east-west expressways and widenings. It was stated that the biggest general concern from the public is not smaller surface streets, but major infrastructure. The Salt Lake Valley has multiple north-south highways, but limited east-west options. One suggestion was to ensure right-of-way is preserved along 12600 South to allow for a future expressway to Bangerter Highway, and show the State that Herriman City, the developer, and surrounding cities all need and are supporting improved and expanded infrastructure to accommodate increased traffic demands. It was pointed out that with a large master-planned community, the cohesive voice to the State could be more influential than if construction was happening in smaller pieces. The group discussed UDOT saying they were full of projects until 2030, but that the City and developer could build the projects if they were given state funding. This avenue is something the parties intend to collectively pursue. The development team noted it had already secured some corridor preservation funds from the County for 12600 South right-of-way in addition to the funds secured by the state legislator for the U-111 realignment.

The group discussed the willingness of the body of the City Council in considering a PID or PIDs. In the past, the Council has been unwilling to consider PIDs except in very specific, controlled environments like the Auto Mall district. It was suggested that any City Council deliberation of a PID for Olympia would be contentious. The item will be revisited at a later date.

It is difficult at this point for the Finance group to precisely calculate each funding mechanism until it receives costs estimates for various projects and phases from the Infrastructure group. It

was noted, however, that even though the numbers aren't known yet for infrastructure, the conversation was fruitful to narrow down options and pros/cons for the various funding mechanisms.