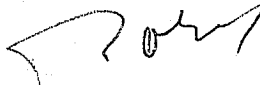


**COUNCIL TRANSMITTAL**

**TO:** Rocky J. Fluhart  
Chief Administrative Officer

**FROM:** Kay Christensen 

**SUBJECT:** Approval of Transfer of Municipal Assets under  
Utah Code Annotated Section 10-8-2

**STAFF CONTACT:** Kay Christensen  
535-7677

**DOCUMENT TYPE:** Study required by UCA Section 10-8-2 and  
request for Public Inspection and Public Hearing  
as required by UCA Section 10-8-2

**BACKGROUND/DISCUSSION:** This information is being provided in compliance with UCA Section 10-8-2, which states the purposes for which a municipal body may appropriate funds. The Statute sets forth a specified process which must be followed to determine if a charitable contribution can be made. The process has three steps:

1. A study must be performed that identifies the net equivalent value received by the City in exchange for any City asset contributed. The benefit may be intangible. The study must consider the following factors:

- a. The specific benefits to be received by the City;
  - b. The City's purpose in making the appropriation, including an analysis of how the safety, health, prosperity, moral well-being, peace, order, comfort or convenience of the residents of Salt Lake City will be enhanced; and
  - c. Whether the appropriation is "necessary and appropriate" to accomplish the City's goals.
2. Notice of a public hearing must be published in a newspaper of general circulation at least 14 days prior to the date of the hearing, and the notice must include the availability of the completed study for public inspection.
  3. A public hearing must be held by the City Council and the Council must make a determination that the appropriation will provide for the safety, health, prosperity, moral well-being, peace, order, comfort or convenience of the residents of the City, and that the net value received by the City will constitute adequate consideration or equivalent value for the benefit being provided by the appropriation.

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Attached is a study regarding the transfer of ownership of the Intermodal Hub from Salt Lake City Corporation to the Utah Transit Authority and a Right-of-Way agreement to give UTA a franchise to use City streets. This is an amendment to the study done previously on this subject. The amended portion deals only with the increased cost to construct the light rail extension to the Intermodal Hub created by higher than expected construction bids.

RESOLUTION NO. \_\_\_\_\_ OF 2006

(ACCEPTING THE STUDY PERFORMED IN COMPLIANCE WITH *UTAH CODE* SECTION 10-8-2 AND AUTHORIZING THE APPROPRIATION OF FUNDS CONCERNING AN AMENDED INTERLOCAL AGREEMENT RELATING TO THE TRAX EXTENSION PROJECT; AND RELATED MATTERS)

WHEREAS, the City Administration has recommended an amendment to increase project budget and modify the project scope related to the Interlocal Agreement dated April 11, 2006, between the Salt Lake City and Utah Transit Authority (UTA) which concerns the (i) the conveyance by Salt Lake City to UTA of the Salt Lake City Intermodal Hub situated west of 600 West Street, and south of 200 South Street, consisting of approximately 16.5 acres, and all existing improvements, (ii) the assignment of all City leases and agreements related to the Salt Lake City Intermodal Hub, and (iii) the granting by Salt Lake City to UTA of rights to use City streets to construct and operate a light rail extension from the Delta Center station to the Salt Lake City Intermodal Hub (the "Amended Interlocal Agreement"); and

WHEREAS, the City Council has received and reviewed a Study regarding said Amended Interlocal Agreement prepared by the City's Department of Management Services in compliance with the requirements of *Utah Code* Section 10-8-2, and public notice has been given at least 14 days prior hereto in a newspaper of general circulation within the City; and

WHEREAS, the Council has reviewed the Study, and has fully considered the analysis and conclusions set forth therein, and all comments made during the public hearing;

NOW, THEREFORE, BE IT RESOLVED by the City Council of Salt Lake City, Utah:

1. The City Council hereby adopts the conclusions set forth in the Study, and hereby finds and determines that, for all the reasons set forth in the Study, the net value to be received by the City by making this grant will constitute adequate consideration, or equivalent value, both tangible and intangible, for the benefit being provided by entering into the Amended Interlocal Agreement; and

2. In the judgment of the City Council, the appropriation to be made pursuant the Amended Interlocal Agreement will provide for the safety, health, prosperity, moral well-being, peace, order, comfort, or convenience of the inhabitants of Salt Lake City; and

3. That the appropriation of funds required under the Amended Interlocal Agreement is hereby approved.

Passed by the City Council of Salt Lake City, Utah, this \_\_\_\_\_ day of November, 2006.

SALT LAKE CITY COUNCIL

By \_\_\_\_\_  
CHAIRPERSON



## MEMORANDUM

TO: Steve Fawcett

FROM: Kay Christensen

DATE: October 22, 2006

SUBJECT: Amended study regarding the transfer of ownership of the Intermodal Hub from Salt Lake City Corporation to the Utah Transit Authority and a Right-of-Way agreement to give UTA a franchise to use City streets: Study to comply with Utah Code Annotated Section 10-8-2 (3) (*Amended portion in bold italics*)

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Salt Lake City (City) is preparing to convey to the Utah Transit Authority (UTA), without direct monetary payment, the Salt Lake City Intermodal Hub Terminal (the Hub), located at 300 South 600 West, including all or a majority of the approximately 16.5 acres on which the Hub is located. The City is also preparing to grant to the UTA, without a franchise fee, a 100-year franchise to use City streets to construct and operate a light rail extension from the Delta Center station to the Hub, and to assign to UTA all of the agreements to which the City is a party relating to the Hub. These transactions require the study mandated by Utah Code Annotated Section 10-8-2 (3) when a City asset is transferred to another entity without the municipality receiving obvious fair market value for such transfer.

UCA 10-8-2 states the purposes for which a municipal body may appropriate public funds and the factors that must be considered in determining the propriety of such an appropriation. To ensure that the transfer of the Hub and the franchise fee waiver are in compliance with UCA 10-8-2, the following study has been performed. This study will consider the following factors:

- (1) The specific benefits to be received by the City;
- (2) The City's purpose in making the appropriation, including an

analysis of how the safety, health, prosperity, moral well-being, peace, order, comfort or convenience of the residents of Salt Lake City will be enhanced; and

(3) Whether the appropriation is “necessary and appropriate” to accomplish the City’s goals.

*Background:*

The Gateway Development Master Plan, adopted by the City Council on August 11, 1998, supported 300 South and 600 West as the location for an intermodal transportation hub. An Environmental Assessment of the location was approved by the Federal Transit Administration (FTA) on September 18, 1998 and that was the basis for a federal grant.

In 1998, the project received authorization for an FTA Grant totaling \$40 million, subject to appropriations over an unspecified number of years. UTA is the grantee, and the City is the sub-grantee. The FTA approved budget for the Hub is \$39,956,060. This includes the extension of TRAX to the Hub.

The Hub facility anticipates accommodating Amtrak, Greyhound, local bus, commuter rail, taxis, shuttles, pedestrians, bicyclists and connections to light rail. The 16.57 acre site is bordered by 600 West to the east, Union Pacific main lines to the west, 200 South to the north and 700 South to the south. The prime acreage for development is between 200 South and 400 South.

The Intermodal Hub Enterprise Fund was established February 9, 1999. The City Council adopted a resolution allowing the fund to borrow up to \$8.41 million from the General Fund. The RDA Board of Directors authorized a \$2.25 million dollar loan to the Intermodal Hub Enterprise Fund.

The City and the UTA signed an Interlocal Cooperative Agreement for the Gateway Intermodal Terminal on August 25, 1999. The agreement outlines the joint effort by UTA and the City to conceptualize, plan, design, construct, operate, and maintain the Hub. The agreement identifies the scope, schedule and budget for each phase of the project.

Phase 1 of the project included land acquisition, trackage work, site utilities, passenger platforms and the temporary Amtrak passenger facility. Phase 2 included design and construction of the permanent hub facility to accommodate Greyhound, local bus, taxis, pedestrian, bicycles, and future commuter rail systems. It also includes completion of environmental work on the Hub parcel. Phase 3 will bring TRAX to the Hub.

The Hub facility costs have totaled \$23,500,000 to date. A total of \$18,800,000 (80%) of that amount has been or will be reimbursed by the FTA through the Hub grant. The grant is based on an 80/20 match, so the local match is \$4,700,000 (20%). Greyhound paid \$1,400,000 toward that requirement, leaving \$3,300,000 to be funded locally. The City appropriated \$2.94 million in FY 2002 to cover this cost, and the remainder is related staff costs.

*Benefits and Costs to Salt Lake City:*

In considering the cost of the Salt Lake City Intermodal Hub Terminal to Salt Lake City and its value, it is important to note two requirements tied to the acceptance of federal funds for the project:

1. The property and facilities built with the funds must continue to be used only for mass transit related purposes. Therefore, the City could not choose to use the Hub for any purpose other than mass transit. Even if the City were to sell the property, the City would have to reimburse to the FTA 80% of the then current net market value of the property. For example, the land was purchased for \$4 a square foot and is now valued at \$17 a square foot (not including the facilities).

2. There can be private development on the Hub property, but it must be related to mass transit, and any net revenues must be dedicated to mass transit purposes. As a result, the Hub could not become a profit center for the City.

These two requirements limit the value of the Hub as an asset. If the City were to retain ownership of the Hub, the City would have to bear the cost of owning and managing a transit facility. Typically, transit facilities do not generate a profit, so a City subsidy might be necessary. The City is not in the transit business so it would also be necessary to contract with an outside entity to run the facility.

Salt Lake City receives the following tangible benefits from the transfer of the Hub to the Utah Transit Authority:

1. Salt Lake City assumed numerous obligations in the original Interlocal Agreement signed August 25, 1999. All of our obligations under that Agreement will be assumed by UTA when they take ownership.

2. The previous City Administration saw the reconstruction of I-15 as an opportunity to shorten the 4<sup>th</sup>, 5<sup>th</sup> and 6<sup>th</sup> South viaducts and consolidate the railroad corridor west of 600 West. It was necessary for Amtrak to relocate to make this possible. The City agreed to build a permanent facility for Amtrak in return for their agreement to move. In consideration of the transfer of ownership of the Hub, UTA has agreed to build the permanent Amtrak facility and related parking and transit plaza at an estimated cost of \$2 million. UTA will be eligible for federal reimbursement of this cost over time, but there is no guarantee those funds will be received, and, if the City had retained responsibility to build the facility, it would have had to pay the 20% match, a total of \$400,000 plus the upfront and ongoing financing costs.

3. UTA has argued that the City has a duty to extend TRAX from the Delta Center to the Hub. UTA has agreed to fund the extension on a roughly 75/25 basis in consideration of the Hub transfer, and in so doing, UTA argues it is more than compensating the City for transfer of the Hub. UTA will seek federal reimbursements for up to 50% of the TRAX costs. Of the City's \$8.5 million (25%) funding share, \$2 million has already been funded by UTA, resulting in an actual City share of \$6.5 million, or 20%.

***October 22, 2006 Amendment: Bids on this portion of the project were \$14.5 million above expectations, increasing the budget from \$32 million to \$46.5 million. As a result, by agreement with UTA, certain aspects of the project were scaled back or eliminated, reducing the budget to \$41.7 million and the increased cost to \$9.7 million. This cost will be borne by the City and UTA on the same approximately 75/25 basis as described above. Therefore, UTA will contribute approximately \$7.14 million and the City will contribute approximately \$2.56 million in additional funds above the amounts committed in the original Interlocal Agreement.***



***The project changes include:***

***Elimination of the planned improvements on the east side of 600 West, such as curb and gutter, sidewalk, trees and lighting.***

***Change to ballasted track on 600 West instead of embedded track..***

***Reduction by half in the planned set-aside funds to help mitigate business impacts during construction (from \$250,000 to \$125,000).***

***Elimination of UTA's 3<sup>rd</sup> tail track at the end of the line.***

***Deferral to a later date of public way improvements on the south side of 200 South between 600 West and 700 West.***

***The extension of TRAX to the Intermodal Hub is an integral part of the entire agreement described in this study, and the public benefit of the TRAX extension must be considered on that basis. Therefore, the broad project analysis is not changed by the increased cost. The public benefits as described in the study, both tangible and intangible, continue to outweigh the costs.***

4. UTA will assume responsibility for remediation of the derelict north warehouse on the Hub site. It is a public nuisance and a liability and must either be torn down, at an estimated cost of \$300,000; or rehabilitated.

5. UTA will assume responsibility for obtaining federal grants to complete the transit related projects. For several years, the City has had to concentrate our staff resources on obtaining such grants. UTA's assumption of this responsibility will free the City to pursue grants in other areas.

6. UTA will assume all obligations under existing agreements relating to the Hub, including the leases with Greyhound and Amtrak. Payments under these leases essentially cover the City's ongoing costs of operation, and the leases are not considered assets by the City.

7. UTA will assume all responsibility and liability for further development of the project and management of the Hub on a day-to-day basis.

Salt Lake City receives benefits from granting UTA a 100-year right-of-way franchise to use City streets to construct and operate a light rail extension from the Delta Center station to the Hub, without receiving a franchise fee in return. UTA is providing the City with an important addition to our transit system that will substantially improve the City's transportation options and increase development potential in the area. This agreement is an essential part of the entire Hub transfer package.

With regard to the Hub transfer, there are also numerous intangible benefits to the City. Without further financial responsibility, Salt Lake City will continue to reap the benefits of transit development and related commercial development in the area with the inevitable increase in property values and taxes as well as sales tax.

*Meeting Salt Lake City's Purposes and Enhancing the Quality of Life for Residents:* Salt Lake City Corporation has made enhanced mass transit a major focus in the effort to reduce air pollution and global warming. The City has adopted a performance measurement tool called the Balanced Scorecard to assist the City in articulating strategic goals, measures and targets for all departments and divisions within the City. The Balanced Scorecard is divided into eight focus areas, including Community Building/Diversity, and Revitalization of Downtown/Neighborhoods, Economic Development and Growth/Quality of Life. The accompanying goals include strengthening neighborhoods by investing in quality of life initiatives, revitalizing downtown by improving the City's economic base, increasing the number of people living and working downtown, and protecting and enhancing the environment.

Therefore, at least four of the City's eight identified focus areas will be positively impacted by the Salt Lake City Intermodal Hub and the extension of TRAX to the Hub. It was necessary to reach the Hub transfer and right-of-way agreements with UTA to make these projects economically feasible for the City at the least possible cost to taxpayers.

*Accomplishing Salt Lake City's Goals:* The proposed Hub transfer and right-of-way franchise agreements are necessary and appropriate to accomplish Salt Lake City's goal of revitalizing downtown. As travel downtown is made easier, it will almost certainly lead to many future visits, thus assisting in the accomplishment of a major City goal-bringing people downtown to live, work and play.

Enhanced mass transit opportunities will also protect our environment by offering alternatives to commuting in personal vehicles and driving in the downtown area.