PARK CITY
1884

PARK CITY COUNCIL MEETING
SUMMIT COUNTY, UTAH
JULY 3, 1997

PUBLIC NOTICE IS HEREBY GIVEN that the City Council of Park City, Utah will hold its regularly scheduled meeting at the Marsac Municipal Building, 445 Marsac Avenue, Park City, Utah for the purposes and at the times as described below on Thursday, July 3, 1997.

AGENDA

Closed Session - To be held in Work Session Room - Main Level

3:00 p.m. Litigation

Work Session - To be held in Work Session Room - Main Level

4:45 p.m. Council questions and comments
5:15 p.m. Review of regular meeting
Island Outpost Development Agreement
Other meeting questions/comments

Regular Meeting - To be held in Work Session Room - Main Level

6:00 p.m.

I ROLL CALL

II PUBLIC INPUT

III COMMUNICATIONS FROM COUNCIL AND STAFF

Swearing-in of Police Chief Lloyd Evans

IV WORK SESSION NOTES AND MINUTES OF JUNE 12, 1997 AND MINUTES OF MEETING OF JULY 19, 1997

V PUBLIC HEARING

Continuation of hearing on an Amendment to Title 11, Chapter 13, Impact Fees, of the Park City Municipal Code

VI NEW BUSINESS

1. Amendment to Title 11, Chapter 13, Impact Fees, of the Park City Municipal Code

2. Consideration of Island Outpost Development Agreement

VII ADJOURNMENT

PARK CITY COUNCIL MEETING
SUMMIT COUNTY, UTAH
JULY 10, 1997

PUBLIC NOTICE IS HEREBY GIVEN that the Park City Council will **not** hold its regularly scheduled meeting on Thursday, July 10, 1997.

Posted: 6/30/97

PARK CITY
1884

PARK CITY WORK SESSION NOTES
SUMMIT COUNTY, UTAH
JULY 3, 1997

Present: Mayor Brad Olch; Council members, Hugh Daniels, Roger Harlan, Chuck Klingenstein; Shauna Kerr; and Paul Sincock

Toby Ross, City Manager; Jodi Hoffman; City Attorney; Myles Rademan, Public Affairs Director; Nora Seltenrich, Special Projects Manager; Bob Stephens, Administrative Services Director

Tom Clyde, counsel for Island Outpost

1. **Council questions and comments.** In response to a question from Roger Harlan regarding negotiations on the Mountain Top water line easement, the City Manager relayed that Mr. Rossman is ill and unavailable. Mr. Ross indicated that he will be meeting with Mr. Rossman's daughter about the issue. Mr. Daniels suggested that Soaring Wings be contacted so that its bus is parked correctly at the Library and Education Center. He added that the road work at SR224 and Thaynes Canyon Drive has on-going a long time with no progress. He reported that the Summit County Olympic Committee has several subcommittees who met last week including logistics, public safety, communications, legacy, and cultural committees. There will be a newsletter on the progress of these various groups and there is a plan to send 20 Utah 7th graders to Nagano as a part of an essay project. At the end of the Nagano ceremonies, Salt Lake will have a five minute window to introduce the 2002 Winter Olympic Games and after that CBS will go live to Park City for a two hour show. Mr. Daniels brought up the interest of the Salt Lake Council jointly visiting cities with the Park City Council like Calgary or Atlanta. If Council is interested in these trips, he felt staff should be given some direction.

Mr. Ross discussed the length of the closed session and topics of the joint Planning Commission meeting scheduled next week. A public hearing on parking is also contemplated at 6 p.m. which may be somewhat controversial. Council agreed to meet as early as 1 p.m.

Myles Rademan noted that he sent invitations to the recent Olympic forums held in Park City last week and would be happy to follow up on a joint trip. There was discussion about the City trip to New Mexico.

Nora Seltenrich reported that the Park City Mountain Resort received a Large Scale Master Plan approval from the Planning Commission last Wednesday and to date there have been no appeals submitted. This project will be before the Council because of the height exception. In response to concerns raised earlier by Council regarding salaries for building officials, Bob Stephens reported that the City has hired another building inspector and added that ads will be run at both the senior and entry levels.

2. Review of regular meeting:

Island Outpost development agreement. Toby Ross pointed out that the Council has a draft of the agreement that will require some revisions. However, if Council is comfortable taking action, the technical corrections could be made. The agreement needs to be approved by August 1. Mr. Ross pointed out Mr. Daniels' concern about the City paying all of the soft costs and explained that we would pay only a proportional share of the soft costs and that will be clarified in the final document. There is language on Page 5 of the agreement that needs to be clarified about time limitations before and after the Olympics.

Mr. Ross continued that the chief issue for the Council is the participation in the parking structure. The City is a 48% partner in the parking and all of the parking is shared with regard to use based on the strategy that in the summer, there is more demand for the City and in the winter, the hotel. In the event parking is not met, the Golf Course Hotel could go under the driving range for additional parking. The parking structure is about a $2.2 million project, including all of the soft costs. The parking structure is the most expensive feature, followed by the pro shop and the cart storage which involves the City's participation. Roger Harlan pointed out that it may be incorrect to assume that the condominium owners will use the units more in the winter and there may be a shortage of parking. Mr. Ross explained that the condominium area has its own parking, but the hotel will be using the golf course hotel parking. He felt that even on a big weekend like the 4th of July, the hotel would not be full. He continued that the parking situation should be substantially improved that exists today with parking.

Tom Clyde, attorney for Island Outpost, commented that the obligation on the property is to provide 25 spaces and out of this agreement there is shared use of 210 which is a substantial improvement. Paul Sincock discussed discouraging free parking by people other than hotel guests and golf course patrons. Mr. Clyde estimated the impact fees to be paid to the City at $600,000. Mr. Ross pointed out the proposed alterations to the third and ninth holes. Construction is anticipated this fall and there will be temporary pro shop and parking area. There was discussion about allowing the Fire District to use the pro shop for fire suppression practice.

There was discussion about Council adopting the agreement "in substantially the same form" and staff obtaining the appropriate exhibits, as the agreement must be revised by August 1. Ms. Kerr emphasized that she wants to enter into the agreement " in the form" with the exhibits attached. Mr. Daniels agreed that the exhibits are important and although the concept of the agreement is sound, he would prefer to have a complete document. Ms. Hoffman stated that approval "in substantially the same form" would not result in any substantive change. Preservation of the trees was discussed. There was consensus among Council members to schedule this on the July 17 agenda for adoption. There was discussion about the lease with White Pine. The City Manager explained that it is hoped that the pro shop will be large enough to accommodate a year-round golf operations office. Bob Johnston emphasized that the City will now be responsible for costs, and as a result, the White Pine lease will increase and this issue needs to be worked out with the tenants. Mr. Johnston felt that the temporary space will work out in the interim for White Pine, but the real issue will surface when the permanent building is occupied.

Impact fees. Toby Ross indicated that there has been no input received regarding impact fees.

Prepared by Janet M. Scott

PARK CITY COUNCIL MEETING
SUMMIT COUNTY, UTAH
JULY 3, 1997

I ROLL CALL

Mayor Brad Olch called the regular meeting of the City Council to order at approximately 6 p.m. at the Marsac Municipal Building on Thursday, July 3, 1997. Members in attendance were Brad Olch, Hugh Daniels, Roger Harlan, Shauna Kerr, Chuck Klingenstein, and Paul Sincock. Staff present were Toby Ross, City Manager; Jodi Hoffman, City Attorney; and Lloyd Evans, Chief of Police..

II PUBLIC INPUT

The Mayor invited the public to comment on any matter of City business not scheduled on the agenda. Hearing none, the public input session was closed.

III COMMUNICATIONS FROM COUNCIL AND STAFF

Swearing-in of Police Chief Lloyd Evans - The Mayor stated that it is a real honor for him to swear a new Chief of Police and Lloyd Evans took the oath of office. The audience was invited to attend a reception to celebrate Chief Evans' appointment.

IV WORK SESSION NOTES AND MINUTES OF JUNE 12, 1997 AND MINUTES OF MEETING OF JULY 19, 1997

Hugh Daniels, "I move approval of the Minutes of June 12 and June 19 (as corrected)" . Shauna Kerr seconded. Motion unanimously carried.

V PUBLIC HEARING

Continuation of hearing on an Amendment to Title 11, Chapter 13, Impact Fees, of the Park City Municipal Code - The Mayor noted that this matter has been discussed on several occasions and a public hearing has been held previously. With no comments or questions from the Council or the public, the public hearing was closed.

VI NEW BUSINESS

1. Amendment to Title 11, Chapter 13, Impact Fees, of the Park City Municipal Code - Shauna Kerr, "I move approval of the amendment to Title 11, Chapter 13, Impact Fees". Hugh Daniels seconded. Motion unanimously carried.

2. Consideration of Island Outpost Development Agreement - Shauna Kerr, "I move to continue to the July 17 meeting so that we can finalize the agreement and have all of the exhibits attached". Paul Sincock seconded. Motion unanimously carried.

VII ADJOURNMENT

With no further business, the meeting of the City Council was adjourned.

MEMORANDUM OF CLOSED SESSION

The City Council met in closed session at approximately 3 p.m. Members in attendance were Mayor Brad Olch, Hugh Daniels, Roger Harlan, Shauna Kerr, Chuck Klingenstein, and Paul Sincock. Staff present were Toby Ross, City Manager; Mark Harrington, Assistant City Attorney; and Jodi Hoffman, City Attorney. Shauna Kerr, "I move to close the meeting to discuss litigation". Hugh Daniels seconded. Motion carried unanimously.

The meeting opened at approximately 4:45 p.m.

* * * * * * * * * * *

The meeting for which these minutes were prepared was noticed by posting 24 hours in advance and by delivery to the news media two days prior to the meeting.

Prepared by Janet M. Scott

Janet M. Scott

Janet M. Scott, City Recorder

PARK CITY SUMMIT COUNTY UTAH
CORPORATE
Seal
MARCH 1,
1884

PARK CITY 1884

DATE: June 27, 1997
DEPARTMENT: Administration
AUTHOR: Toby Ross, City Manager
TITLE: Impact Fee Discussion
TYPE OF ITEM: Legislative

SUMMARY RECOMMENDATIONS: Amend the impact fee ordinance by including new impact fee schedules.

DESCRIPTION:

A. Topic: Impact Fee Discussion

B. Background: On June 12, 1997, the City Council reviewed the history of impact fees in Utah, the 1995 Impact Fee Act, the scope of the *Five Year New Development Capital Facilities Plan and Impact Fee Analysis* (Fee Study) and issues related to amending the City's impact fee ordinance and rates. The staff report for that meeting discussed how impact fees are to be imposed and collected.

On June 26, 1997, the Council reviewed revised impact fee schedules and continued until July 3, 1997 a public hearing on an amendment to the impact fee ordinance including new impact fee schedules.

This revision is being prompted by new Capital Improvement and Facilities Plans and procedural provisions of the Impact Fee Act. In summary, the Impact Fee Act:

1. Includes a list of the types of capital facilities for which local government may charge impact fees.

2. Requires a capital facilities plan (CFP) to impose impact fees. The plan must identify a list of public facilities required by new development activity and a description of how the local government will pay for the public facilities.

3. Requires an analysis that
   a. identifies the impact of growth on the need for capital facilities;
   b demonstrates a reasonable relationship between the impacts of growth and

d. identifies how the fees are calculated.

4. Defines factors to be considered in determining proportionate share of the cost of new facilities.

5. Defines the procedure for the enactment of an impact fee.

6. Specifies the costs that may be considered in establishing the impact fee.

7. Describes accounting, reporting and spending requirements.

8. Describes how the fee ordinance and individual fees may be challenged.

This winter Park City commissioned Rosenthall and Associates to help prepare the Fee Study. To provide the most current capital planning information, this study relies heavily on the Capital Improvement Plan contained in the 1997-98 budget. The Fee Study is limited to roadway facilities; parks (including recreation facilities, open space, and trails); and public safety facilities. Our water impact fees are not currently proposed for revision.

On June 26, 1997, the City held and continued a public hearing regarding the impact fee revisions. The Council requested that anyone who wanted to offer testimony regarding this matter do so, however no testimony was presented.

C. Analysis:

The Ordinance that will be before the Council for adoption on July 3, 1997, basically amends the fee schedule. All the required notice, appeal and other administrative procedures currently in the municipal code comply with the Fee Act and do not require amendment.

1. **Impact Fee Schedules**

The Council has tentatively determined to establish impact fees at least 10 percent less than the fee calculated in the Fee Study (calculated fee). The staff report for June 26 describes how the fees were developed in an iterative process. The entire procedure is documented in an addendum to the Fee Study called the *Rate and Structure of Impact Fees* (Rate Addendum) which is available from the City Recorder.

The Rate Addendum also reviews some of the criteria proposed for the administration of the fee. These are suggestions rather than requirements. The actual ordinance and administrative procedures will determine the administration of the ordinance. Staff proposes that the new fees apply to any building application certified complete after the effective date of the ordinance. The previous fee schedule would apply to any building application certified complete before July 1, 1997.

2. Affordable Housing

The Park City Council has indicated its willingness to waive impact fees for *qualified* affordable housing projects. Qualified projects meet the City's standards for affordability and require deed restrictions to guarantee rental rates, resale prices and priority access to employees working in Park City. The City's impact fee ordinance currently permits the City Council to waive fees for affordable projects.

The proposed fee structure also includes several features designed to reduce the effect impact fees could have on the affordability of housing at the lower end of the price range assisting with the affordability of projects that are not qualified projects. Rather than a single fee for all unit types and sizes of residential units, Park City's impact fee structure attempts to recognize that smaller units have a lower potential for peak impact than larger units. Consequently, the proposed fee structure provides for reduced fees for smaller units of all types. Also the fee structure proposes no impact fee for small additions. This strategy supports the City's policy which allows accessory rental units in many residential zones.

The Effect of the Proposed Fee Schedule

The total revenue from impact fees will likely decline compared to what the revenue would have been under the old fee schedule. This results from a change in the impact fee structure, a smaller CFP Cost in the next five years than in the past five years (primarily due to anticipated grants and other sources of revenue) and an actual fee that is less than the calculated and conservative calculation of fees. Examples of how fees are calculated conservatively include:

- All impact fees are reduced at least 10 percent from the calculated fees.
- Impact fees are rounded down.
- Multi-family fees are lowered to match hotel fees in some instances.
- No impact fee is charged for small additions.
- The Capital Facilities Plan recognizes other sources of revenue for capital projects such as grants and reduces the CFP Cost appropriately.
- The fee calculation approach reduces the calculated fee for past and future contributions made by the owners of the property to capital facilities.

D. <u>Department Review</u>: This report has been reviewed by the City Attorney, Building Department and the Finance Manager.

<u>ALTERNATIVES</u>:

A. <u>Approve a revised impact ordinance</u>:

B. <u>Decline to adopt any impact fee ordinance</u>:

C. <u>Continue the item with direction</u>:

SIGNIFICANT IMPACTS:

Park City relies heavily on impact fees to support its capital improvement programs. Last year the City collected about $2 million in the categories being discussed in this ordinance. Historically, Park City impact fees (excluding water) have represented 2 percent of calculated construction value (less of construction contract prices). In the aggregate, fees would go down in this by 10% or more as a result of the new fee analysis. However, the new approach does not affect every type of construction equally so that fees for some types of construction will go up (for example, a 2100 square foot multifamily unit) while others will go down (very large single family units).

CONSEQUENCES OF NOT TAKING THE RECOMMENDED ACTION:

Not adopting any impact fee ordinance would significantly limit our long term capital development, particularly in parks and open space. Delaying adoption past July 3, 1997 could create some logistical problems; long delays could result in significant loss of revenue.

RECOMMENDATION:

Staff recommends that the Council adopt a revised impact fee ordinance including impact fee rate schedules on July 3, 1997.

Ordinance No. 97-

AN ORDINANCE AMENDING SECTION 11-13-2, ASSESSMENT AND CALCULATION OF IMPACT FEES, OF THE MUNICIPAL CODE OF PARK CITY, UTAH

WHEREAS, during the 1996-97 Utah Legislative session, law-makers established new standards for collecting impact fees and terminated local authority to collect school facilities impact fees without specific authorization from the Legislature; and

WHEREAS, July, 1997 is the deadline established by the Utah Legislature for local entities to eliminate fees which no longer fit the criteria established by the Legislature; and

WHEREAS, last winter Park City commissioned Rosenthal and Associates to prepare a capital facilities plan and to perform an impact fee analysis to assess the proportionate share attributable to growth of the costs of capital facilities to maintain the current level of service in three authorized categories: parks, public safety and roads;

WHEREAS, the study is based on conservative assumptions regarding growth and capital facilities acquisition;

WHEREAS, the Council has further recommended that staff prepare a schedule of impact fees which fairly and clearly differentiate between fees for new construction activities and fees for significant additions to existing construction and which assess to growth 90% of the proportion costs of the capital facilities required by growth;

WHEREAS, the Council has reviewed administrative policies promulgated to create better community understanding of, and customer satisfaction with, the administration of impact fees;

WHEREAS, the Council conformed to and exceeded the statutory publication requirements for imposing impact fees and held a public hearing on the proposed impact fees on June 26 and again on July 3, 1997; and

WHEREAS, it is in the best interests of the citizens of Park City to impose impact fees for parks, public safety, and roads which fairly apportion the costs of those facilities required by growth;

NOW, THEREFORE, BE IT ORDAINED by the City Council of Park City, Utah that:

SECTION 1. The City Council hereby adopts and herein incorporates the attached Five Year New Development Capital Facilities Plan and Impact Fee Analysis.

<u>SECTION 2. AMENDMENTS TO SECTION 11- 13-2 OF THE MUNICIPAL CODE OF PARK CITY, UTAH</u>. Section 11-13-2 of the Municipal Code is hereby amended to read as follows:

<u>11-13- 2. ASSESSMENT AND CALCULATION OF IMPACT FEES</u>.

(A) **<u>ASSESSMENT OF IMPACT FEES</u>**. The City shall collect the following Impact Fees from any applicant seeking a Building Permit:

~~(1) **Parks, Trails and Open Space Impact Fee**: 1.35% of Construction Value.~~

~~(2) **Public Safety Facilities Impact Fee**: 0.05 % of Construction Value.~~

~~(3) **Streets and Storm Water Facilities Impact Fee**: 0.60 % of Construction Value.~~

(1) Parks, Public Safety and Roads Impact Fees for New Construction:

Development Type	Parks	Police	Roads
Single Family			
Standard Unit (3001-5000 square feet)	$3,855.00	$445.00	$315.00
Less than 3000 square feet	$1,925.00	$220.00	$155.00
More than 5000 square feet	$5,780.00	$670.00	$470.00
Duplex and Multi Family			
Standard Unit (2001-4000 square feet)	$2,775.00	$320.00	$255.00
Less than 2000 square feet	$1,400.00	$165.00	$145.00
More than 4000 square feet	$4,285.00	$495.00	$435.00
Hotel Room			
Standard Unit (751-2000 square feet)	$1,850.00	$195.00	$170.00
Less than 751 square feet	$925.00	$95.00	$85.00
More than 2000 square feet	$2,775.00	$320.00	$255.00
Commercial (per 1000 square feet)	$0.00	$460.00	$405.00
Light Industrial (per 1000 square feet)	$0.00	$370.00	$320.00

(2) Parks, Public Safety and Roads Impact Fees for Additions to Existing Construction:

Development Type	Parks	Police	Roads
Single Family			
0-500 square feet	$0.00	$0.00	$0.00
501-1500 square feet	$480.00	$55.00	$35.00
1501-3000square feet	$960.00	$110.00	$75.00
3001-5000 square feet	$1,925.00	$220.00	$155.00
more than 5000 square feet	$3,850.00	$440.00	$310.00
Duplex and Multi Family			
0-500 square feet	$0.00	$0.00	$0.00
501-1000 square feet	$350.00	$40.00	$35.00
1001-2000square feet	$700.00	$80.00	$70.00
2001-4000 square feet	$1,400.00	$165.00	$145.00
more than 4000 square feet	$2,800.00	$330.00	$290.00
Hotel Room			
0-200 square feet	$0.00	$0.00	$0.00
201-750 square feet	$350.00	$40.00	$35.00
751-2000square feet	$700.00	$80.00	$70.00
more than 2000 square feet	$1,400.00	$165.00	$145.00
Commercial	$0.00	$0.46/sf	$0.40/sf
Light Industrial	$0.00	$0.37/sf	$0.32/sf

~~(4)~~ (3) **Water Connection Impact Fee**: The sum of the applicable indoor and outdoor fees established as follows:

Size (sf)	Up to 1000	1001-1500	1501-3000	3001-4500	4501-6000	6000+
Bedrooms	2	3	4	5	6	7+
ERU	.50	.75	1.00	1.25	1.50	1.75
Charge	$150	$225	$300	$375	$450	$525

Indoor (Commercial)[1]

USE	ERU
Industrial or warehousing	0.05 per 1000 sf
Laundry	1.05 per machine
Theater or auditorium	0.08 per 10 seats
Office	0.20 per 1000 sf
Restaurant	0.05 per seat
School	0.03 per occupant
Retail Shops	0.35 per 1000 sf
Service Commercial or large retail[2]	0.20 per 1000 sf
Hotel or motel	0.03 per room
Taverns or bars	0.03 per seat

Outdoor

Irrigated Area (sf)	0-2000	2001-4000	4001-6000	6001-8000	8001-10000	10000+
Charge	$70	$210	$350	$490	$630	$630+x[3]

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1 Uses not in the commercial table shall be computed by the Public Works Director as follows: The Public Works Director shall estimate the annual indoor use in gallons; shall divide that number by 100,000 gallons; and shall round that quotient down to the nearest 0.05 ERU. (1 ERU = $300.00)

2 10,000 sf or greater

3 x=$70.00 for each 1000 square feet of irrigated area over 10,000 square feet

~~(6)~~ (4) **Water Development Impact Fee**: The sum of the indoor and outdoor fees established as follows:

Indoor (Residential):

Size (sf)	0-1000	1001-1500	1500-3000	3001-4500	4501-6000	6000+
Bedrooms	2	3	4	5	6	7+
ERU	.50	.75	1.00	1.25	1.50	1.75
Charge	$850	$1275	$1700	$2125	$2550	$3000

Indoor (Commercial)[4]

USE	ERU
Industrial	0.05 per 1000 sf
Laundry	1.05 per machine
Theater or auditorium	0.08 per 10 seats
Office	0.20 per 1000 sf
Restaurant	0.05 per seat
School	0.03 per occupant
Retail Shops	0.35 per 1000 sf
Service Commercial or large retail[5]	0.20 per 1000 sf
hotel or motel	0.03 per room
Taverns or bars	0.03 per seat

Outdoor

Irrigated Area (sf)	0-2000	2001-4000	4001-6000	6001-8000	8001-10000	10000+
Charge	$400	$1200	$2000	$2800	$3600	$3600+x[6]

4 Uses not in the commercial table shall be computed by the Public Works Director as follows: The Public Works Director shall estimate the annual indoor use in gallons; shall divide that number by 100,000 gallons; and shall round that quotient down to the nearest 0.05 ERU. (1 ERU = $1700.00)

5 10,000 sf or greater

6 x=$400.00 for each 1000 square feet of irrigated area over 10,000 square feet

SECTION 3. EFFECTIVE DATE. This Ordinance shall take effect immediately.

PASSED AND ADOPTED this 3rd day of July, 1997

PARK CITY MUNICIPAL CORPORATION

____
Mayor Bradley A. Olch

Attest:

____
Jan Scott, City Recorder

Approved as to form:

____
Jodi Hoffman, City Attorney

PARK CITY
1884

DATE: June 22, 1997
DEPARTMENT: Administration
AUTHOR: Toby Ross, City Manager
TITLE: Island Outpost Development Agreement
TYPE OF ITEM: Legislative

SUMMARY RECOMMENDATIONS: Review and approve the proposed development agreement establishing rights and responsibilities associated with the Hotel Parcel at the Municipal Golf Course.

DESCRIPTION:

A. Topic: Island Outpost Development Agreement

B. Background:

Park City and Greater Park City Company (Greater Park) entered into a series of agreements concerning the acquisition of the Park City Municipal Golf Course (Golf Course) from Greater Park and the development of the property at the corner of SR 224 and Thaynes Canyon Drive (Hotel Parcel). The latest iteration of this agreement is dated August 17, 1987, and entitled *Agreement Golf Course Hotel (*Hotel Agreement). Island Trading, Inc. (Island) is the successor in interest to Greater Park under that agreement. The Hotel Agreement contemplated the construction of a hotel project on 6½ acres of land containing no more than 272 hotel rooms or no more than 68 residential Unit Equivalents as defined in the Land Management Code, and 15 commercial Unit Equivalents in addition to an allowance of 5% for hotel support commercial. In addition to the density allowance, the Agreement called for the provision of golf course pro shop, cart storage and rest room facilities to replace the existing facilities located on the property. The Hotel Agreement represented clustering density from the entire golf course property on to the Hotel Parcel.

Under the Hotel Agreement, Park City adopted Ordinance 87-14, which amends the zoning map to re-zone the subject property from RD to RD-MPD. Ordinance 87-14 does not take effect until publication. Island proposed a different configuration of development for the site, and on December 18, 1996 received final Planning Commission approval for the Master Planned Development Application ("MPD") for that revised project. The revisions reduce the overall density in the project, and increase the available parking for the golf course through a shared parking approach. One of the conditions of approval was the adoption of a revised development agreement to reflect the changed conditions resulting from the new MPD.

The hotel project now consist of not more than 39 residential unit equivalents and not more than 9 unit equivalents of commercial space partly within the hotel building and partly in a free standing building not to exceed 2,000 square feet, plus 5% of the gross floor area devoted to support commercial and 5% associated with meeting rooms as allowed by code. The satellite building will be limited in use to support commercial as defined by code. Building height, set-back and site coverage are all as set forth in the MPD. The golf facilities are in addition to the density assigned to the hotel project. The project also includes a parking structure with about 115 spaces jointly owned and paid for by Island and Park City.

C. Analysis:

Agreement Summary

The Development Agreement is proposed to be made by and between Island and Park City to set forth the terms and conditions under which Island will develop the Hotel Parcel and certain obligations with respect to that development concerning the Golf Course.

Island intends to construct the project as an expandable condominium in two or more phases. The first phase of the project would include the replacement golf facilities. While that phase is under construction, the existing pro shop, cart storage area, and golfer parking areas will be unusable. As called for in the 1987 agreement, Island will provide interim facilities. The temporary pro shop will be in a modular structure placed on the site, with restrooms for golfers with water and sewer connections. The cost of providing the interim golf facilities will be paid by Island, however the City will pay the monthly utility service costs (Island will pay for initial installation and connection) and similar occupancy costs for the temporary building. The actual layout and conditions of the temporary pro shop and other golf facilities will be worked out between Island and the Leisure Services Director to the reasonable satisfaction of the Leisure Services Director.

The project will include a total of 210 parking places, of which about 115 will be underground. All of the parking will be jointly used by the hotel and the golf course, with the assumption being that the periods of peak demand for the golf course and hotel uses will largely off set each other. The amount and type of parking result from a parking study and Planning Commission Review. Park City would agree to pay for 48% of the underground parking construction costs, and 48% of the cost of building 30 of the surface parking spaces, with the balance of parking costs paid by Island. The cost of the underground parking is estimated at $2.2 million, but final costs will not be known until the building is constructed. If requested by Island during the next six years, Park City would grant Island an easement to construct additional underground parking under the driving range for nominal consideration, so long as the construction does not interfere with the operation of the driving range. The costs associated with the surface parking will include only paving and grading costs, and will not include any component for land cost.

Under the 1987 agreement, Island is obligated to make space available to the City for replacement golf facilities, which include the Pro Shop, restrooms, golf course parking, and cart storage areas. Island would construct a replacement pro shop as a separate condominium unit. The Pro Shop will be approximately 2,000 square feet in area with convenient access to the golf course. Restrooms will be provided adjacent to the Pro Shop and the City will pay for half the cost of these facilities. The Pro Shop will be completed to a shell state, ready for tenant interior finishes, which would be the responsibility of the City.

If requested by the City, Island would construct the cart storage building on land owned by the City under the driving range with the actual costs to be paid by City. The estimated cost of the Golf Cart Storage Building is $335,000, or $50/square foot.

The City would have the obligation to either lease or purchase the Pro Shop from Island. If purchased, the City may either pay the full amount in cash upon completion of construction, or elect to have Island finance the purchase over 20 years at 6% interest. If the City elects to lease the Pro Shop Unit, the lease would be a triple net lease and provide a 10% annual return to Island on the agreed upon cost of the Pro Shop (which is the same as the purchase price).

The City will have the right to lease or sub-lease the Pro Shop Unit for non-golf activities that are not in direct competition with the commercial uses within the balance of the hotel project. The anticipated use is as the shop for cross country skiing on the golf course, but other uses are permissible.

The City's right to purchase the Pro Shop Unit, and the rental rate under the lease of the Pro Shop are based on the Construction Costs. The Construction Costs for the Pro Shop would include the actual construction costs as reasonably and equitably allocated between the Pro Shop and the hotel project. These costs are detailed in a Schedule of Construction Costs.

The parties acknowledge that the plans on which the MPD was granted are conceptual in nature, and are not construction drawings. Changes and technical corrections may be made, and so long as the changes are not material to the density, appearance of the building, the function of the golf facilities, those non-material changes will be reviewed and approved by the City staff without planning commission action.

The hotel project will eventually be submitted to condominium ownership. The parties anticipate that the Pro Shop will be a separate commercial unit within the condominium. The parking will be common area of the condominium or a separate unit depending on the financing. The Cart Storage Building, located on City property, will not be part of the condominium ownership. Condominium Common Area expenses will include all of those costs associated with the operation and maintenance of the structure as defined in the Condominium Act. The condominium documents have not been drafted yet and the City will be an active participant in the preparation of the condominium documents.

There are several places where there are, or will be, encroachments by the golf course on to Island's property, and others where shared parking or other common areas encroach on the golf course property. The parties agree to convey the land necessary to eliminate these encroachments to the other party. Areas beyond the physical encroachments may need to be conveyed to maintain property building set backs for the zone. The boundary line adjustments will be made in conjunction with a subdivision plat processed jointly by the City and Island to create the new property boundaries. In addition, there may be a need for easements for encroachments or different uses on each party's property, and the parties agree to cooperate with each other to grant the necessary easements for the efficient operation of the project and the golf course.

Some golf course modifications described in the 1987 agreement are not yet complete and other items are necessitated by the current plan which were not contemplated by the 1987 agreement. The following golf course changes will be made:

A. Number 1 Tee will be moved so that it is entirely on City Property.

B. Number 9 Green will be moved to City property.

C. Number 3 Tee will be relocated slightly, but as re-located is still partially within the 6½ acre parcel owned by Island. Island will convey the property necessary for the Number 3 Tee to the City, without cost.

D. The Golf Course Pond abutting the Number 9 hole will be reshaped to fill in portions of the pond now located on Island's property, and to expand it on to other areas on Island and City property..

E. A New Cart Path to connect the Number 9 hole back to the Pro Shop will be required.

F. Number 9 Fairway will be regraded and re-planted to accommodate fill material from the project.. The excavation, fill and replanting will occur at Island's cost with minimum disruption to play on the golf course, and to the extent possible, will be done during the non-golf season. Soil will be tested by a qualified lab or engineer (at Island's expense), and test results reviewed and approved by City before any soil is deposited on City property.

Ordinance 87-14 was adopted in 1987, but has been held in abeyance and does not take effect until publication. The conditions to publication and the ordinance taking effect are payment of fees for the project, issuance of initial permits and, as a result of the modified MPD, approval by the Planning Commission of the revised MPD. With respect to these conditions, the parties agree as follows:

A. Payment of Fees. The project will be constructed in phases, and fees will be payable on each phase as it is constructed, consistent with City policy and practice. Payment of fees in conjunction with the first phase is sufficient to satisfy the requirements of Ordinance 87-14 if that payment is at least $150,000 of building related fees plus any required payments for Golf Course changes.

B. Issuance of Permits. The demolition permit for the existing structure will constitute initial permits for the project as described in Ordinance 87-14.

Upon payment of the fees and issuance of the permit described above, City will publish Ordinance 87-14, causing it to take effect as of that date. At that time, the zone of the property will change from RD to RD-MPD, with the density entitlement as provided in the MPD approved by the Planning Commission in December 1996.

The Development Agreement and the MPD approval, and any building permits issued under them, could be transferred by Island to its successors in interest or assigns with the title to the property, provided that the obligations of successors to provide the replacement Golf Facilities and other obligations to the City are assumed by the successor or have been otherwise satisfied by Island.

Upon the publication of Ordinance 87-14, the MPD approval would have a duration of 2 years. The Permit could be extended for an additional 2 years by action of the Planning Commission. In addition, if Island commences substantial construction on the hotel project in a manner consistent with this Permit within 2 years, the construction activity will automatically extend the Permit as provided in the Land Management Code. In addition, upon recording of an expandable condominium plat consistent with this Permit, Island will be vested in the right to complete construction of the subsequent phases within the seven year period allowed under the condominium act.

Implications

Adoption of the Development Agreement precedes the following items (not necessarily in this order):

1. Pay fees and request a permit;
2. Publish Ordinance 87-14;
3. Reduce the development potential to the levels of the 1996 approvals;
4. Complete designs for the Pro Shop, Parking Structure and cart storage building;
5. Design and complete the remaining modifications to the golf course;
6. Demolish the existing buildings, dredge pond and excavate for the parking structure;
7. Complete phasing and mitigation plan including temporary golf facilities;
8. Construct phase one;
9. Create the condominiums and associated agreements; and
10. Develop the City's financing strategy;
11. Lease or buy Pro Shop;
12. Install tenant improvements; and
13. Construct remaining phases.

Financing Alternatives

Staff will explore four basic financing alternatives relating to this project. Again, the financing strategy used will need to consider current and future project financing needs.

1. *Loan from Developer*: Per the Development Agreement, the City could borrow the funds needed for the project from the developer at an interest rate of 6%. The advantage to this option is the low costs of issuance associated with the loan.

2. *Lease from Developer*: Per the Development Agreement, the City could lease funds for the project from the developer for a 10% annual return. The advantage to this option is the low annual costs. Purchase options would have to be worked out.

3. *RDA Bonds*: The City could issue Lower Park Avenue RDA bonds for the project. The advantage to this type of financing is the tax increment revenue stream could be used for payments of debt service. An RDA bond would also give the City the ability to include other eligible projects in the bond deal. The interest rate on such a bond would be in the 5.5% range. Under a RDA bond, the City could possibly bond for golf course improvements, and then have the Golf Course Fund reimburse the RDA for its proportionate share.

4. *Golf Revenue Bonds*: The City could issue revenue bonds supported by Golf Course revenues. The interest rates on such bonds would also be approximately 5.5%. One drawback with this type of financing is the uncertain nature of golf course revenues. This factor could cause the interest rate to increase.

Some sort of bond financing was included in the Golf Course Revenue Plan (Revenue Plan) with an assumed interest rate of 5.8% paid off over 15 years. After over a year of history, fund balance in the Golf Course Fund exceeded projections by approximately $50,000. Therefore, per commitments made in the 10 year Revenue Plan, the annual 4% golf fee increase for the 1997 season was deferred for one year. The fee increase will need to occur for each year here on out for the plan to stay on track. The fund balance in the Golf Course Fund is currently in excess of $500,000.

The propose project is within the boundaries of the Lower Park Avenue RDA. Therefore, property tax increment from the RDA could be used to pay cash for portions of the project or finance RDA bond payments. Staff is comfortable that the underground parking portion of the project would be eligible for RDA funding. Whether or not the other improvements would be eligible for RDA tax increment would need to be determined.

ALTERNATIVES:

A. Approve the proposed development agreement:

B. Revise and approve the proposed development agreement:

C. Continue the item with direction:

SIGNIFICANT IMPACTS

The City has been anticipating the financial impacts of this proposed development project for quite some time. Under the terms of the proposed Development Agreement, the City will be responsible for funding all or a portion of the following: 1) golf course improvements; 2) Pro

Shop and golf cart parking; and 3) underground parking and a portion of the surface parking. Listed below is a breakdown of the City's estimated costs relating to each of these areas. A portion of these costs will be paid by Island; Island has agreed to pay $15,000; plus 15,000 already paid for relocation of the green. Park City had asked for an additional $15,000 but the Leisure Service Director is comfortable with the proposal so long as Island will undertake a substantial part of the regrading and tree location.

Golf Course Improvements:

Tee Boxes	$20,000
New #9 Green	30,000
Relocate Trees (to be done partially by developer)	5,000
Regrading (to be done partially by developer)	10,000
Irrigation	15,000
Total	**$80,000**

Golf Pro Shop and Golf Cart Parking:

Pro Shop Building & Walls	$144,256
Tenant Improvements & Furniture	100,000
Golf Cart Parking	335,000
Total	**$579,256**

Underground Parking:

City Share of Parking Cost	**$1,056,000**

Other

Rest Rooms	$45,000
Condominium	$10,000
Expected Developer Contribution	$15,000
Total	**$40,000**

GRAND TOTAL CITY OBLIGATION: $1,755,256

Staff is not prepared to recommend a funding option at this time. We are seeking City Council consideration and input; no action is required with respect to funding. The funding strategy for this project will most likely be a combination of these options. Staff will return to City Council with its funding plan if the Development Agreement is approved .

Ultimately, the Council will determine how much of the project will be paid in cash, and how much will be financed over time. Generally, financing the project will be more cost effective, and not necessarily require moving appropriations from other City CIP projects. However, if dedicated funds exist, City Council should consider funding at least a portion of the project with existing, appropriated funds. The decision to pay cash or finance the project will be determined by interest rates and the nature of the funds being used. The funding strategy will most likely consist of a combination of cash payment and financing.

The sources of City funds involved in the project would most likely be limited to the Golf Course Fund and the Lower Park Avenue Redevelopment Agency (RDA). CIP or General Fund resources could be used for the project, but probably only in a lending capacity.

In April of 1996, City Council adopted a 10 year Revenue Plan for the Golf Course. Included in that plan was a bond issue that would provide $1,500,000 for projects relating to the Island Outpost development. An annual bond payment of $160,000 was included. The City has viable funding alternatives at its disposal to meet its obligations under the proposed development agreement. The exact funding strategy will be determined by policy decisions and economic conditions impacting the Golf Course Fund and the Lower Park Avenue RDA. If the development agreement is approved, staff will begin formal discussions with the City's financial advisors and bond counsel to determine the best course of action for the City.

CONSEQUENCES OF NOT TAKING THE RECOMMENDED ACTION:

If the Council did not approve a development agreement acceptable to Island by August, 1997, the 1987 zoning ordinance would expire unless Island could pay all fees and receive a building permit. Park City would not normally issue permits until some of the issues in the Development Agreement are resolved and complete building plans are submitted. Island is not ready to submit complete building plans.

The meaning of the expiration has been inconclusively debated by attorneys from both sides. The consequences could be profound. If the property reverted to the base zone (RD), the development potential and associated value would be substantially reduced. Island probably could allow that to happen without reviewing it with a judge.

RECOMMENDATION:

Review and authorize the Mayor to execute the proposed Development Agreement in substantially the same form as the version attached. The Agreement establishes rights and responsibilities associated with the development of Hotel Parcel and development and relocation of facilities at the Golf Course.

DEVELOPMENT AGREEMENT

Golf Course Hotel MPD

THIS DEVELOPMENT AGREEMENT is made by and between Island Trading, Inc., a Delaware corporation ("Island") and Park City Municipal Corporation, a municipality of the State of Utah, ("City") to set forth the terms and conditions under which Island will develop its property located in Park City, Utah, and certain obligations with respect to that development concerning the City golf course.

City and Greater Park City Company entered into a series of agreements concerning the development of this property and the acquisition of the Park City golf course from Greater Park City. The latest iteration of this agreement is dated August 17, 1987, and entitled "Agreement Golf Course Hotel."

Island is the successor in interest to Greater Park City Company under that agreement. The Golf Course Hotel agreement contemplated the construction of a hotel project on 6½ acres of land containing no more than 272 hotel rooms or no more than 68 residential Unit Equivalents as defined in the Land Management Code, and 15 commercial Unit Equivalents in addition to an allowance of 5% for hotel support commercial. In addition to the density allowance, the Agreement called for the provision of golf course pro shop, cart storage and rest room facilities to replace the existing facilities located on the property.

Under the Golf Course Hotel Agreement, City has adopted Ordinance 87-14, which conditionally amends the zoning map to re-zone the subject property from RD to RD-MPD. Ordinance 87-14 does not take effect until publication. The MPD approval under the 1987 agreement resulted in a density transfer from the Golf Course itself, which was then zoned RD, to the hotel parcel now owned by Island. The Golf Course was then re-zoned ROS, and the development parcel provisionally re-zoned RD-MPD.

Island has proposed a different configuration of development for the site, and in December of 1996 received final Planning Commission approval for the Master Planned Development Application ("MPD") for that revised project. The revisions reduce the overall density in the project, and increase the available parking for the golf course through a shared parking approach. Because of those revisions, the parties feel it is necessary to make adjustments in their agreement to specifically address the proposed building, evidence the final zoning approval for that project, and cause the publication of Ordinance 87-14.

The parties agree as follows:

1. Property. The property subject to this agreement is described on the attached Exhibit A.

2. MPD Approval. On December 18, 1996, the Park City Planning Commission granted Master Planned Development Approval for this project. One of the conditions of approval was the adoption of a revised development agreement to reflect the changed conditions resulting from the new MPD. The parties acknowledge that the plans on which

the MPD was granted are conceptual in nature, and are not construction drawings. Changes and technical corrections will be made, and so long as the changes are not material to the density, appearance of the building, the function of the golf facilities, those changes will be reviewed and approved or rejected by the City staff without planning commission action. The project shall now consist of:

> The hotel project with not more than 39 residential unit equivalents, and not more than 9 unit equivalents of commercial space partly within the hotel building and partly in a free standing satellite building not to exceed 2,000 square feet, plus 5% of the total floor area may be dedicated to meeting rooms, and an additional 5% for support commercial without requiring the use of a unit equivalent of commercial space. The satellite building will be limited in use to support commercial as defined by code. Building height, set-back and site coverage are all as set forth in the MPD.
>
> The golf facilities described below, which are in addition to the density assigned to the hotel project, and shall not be counted as either commercial unit equivalents or support commercial.

3. Construction in Phases. Island intends to construct the project as an expandable condominium in two or more phases.

4. Interim Golf Facilities. The first phase of the project will include the Replacement Golf Facilities, as defined below. While that phase is under construction, the existing pro shop, cart storage area, and golfer parking areas will be unusable. As called for in the 1987 agreement, Island will provide interim facilities. The location of the interim facilities, including the interim parking for 41 cars is presently contemplated to be located as shown on the drawing attached as Exhibit B. The temporary pro shop will be in a temporary modular building placed on the site, with restrooms for golfers with water and sewer connections. The cost of providing the interim Golf Facilities will be paid by Island, however City will pay the monthly utility service costs (Island will pay for initial installation and connection) and similar occupancy costs for the temporary building. The actual layout and conditions of the temporary pro shop and other golf facilities will be worked out between Island and the City Leisure Services Director to the reasonable satisfaction of the Leisure Services Director.

5. Parking. (a) The project will include a total of 210 parking places, of which 115 will be underground. Notwithstanding the 1987 Agreement's requirement that Island provide only 25 surface parking spaces for the golf course, the parties recognize that as inadequate, and have agreed to expand the parking. All of the parking will be jointly used by the hotel and the golf course, with the assumption being that the periods of peak demand for the golf course and hotel uses will largely off set each other.

(b) City agrees to pay for 48% of the underground parking Construction Cost, and 100% of the Construction Cost of building 14 of the surface parking spaces, with the balance of parking costs paid by Island. The Construction Cost for the underground parking will include the actual hard Construction Cost, and soft costs such as design and engineering costs, construction financing, permitting, and all other costs associated with the construction of the underground parking, including an equitable allocation of footing and foundation expenses. The City share of the hard Construction Cost of parking is detailed on the attached construction cost schedules, and preliminarily estimated as follows:

The total Construction Cost of 115 underground parking spaces, and associated ramps, mechanical, allocated share of elevators, and stairwells is approximately $2,200,000, with City paying 48%, or $1,056,000, plus the soft costs described below;

City will pay 100% of the cost of providing 14 surface parking spaces, which is estimated at $5,500, plus the soft costs associated with those spaces. This is Construction Cost only, and does not include any component for land cost involved in the surface parking.

These Construction Cost estimates are preliminary in nature and subject to change. City will be given 30 days to review and approve or reject final Construction Cost for the parking prior to the commencement of construction, and 10 days to review and approve or reject any change orders, or combination of change orders, that affect City's costs by $10,000 or more, with silence being deemed approval of the change. All cost estimates and change orders will be submitted in writing, and City's approval, rejection, or requests for clarifications will be made in writing.

(c) City's share of the parking costs will be reimbursed to Island by City upon substantial completion of the parking facilities. It is expected that the underground parking will be completed before the surface parking, and the reimbursement will be made for underground and surface parking independently upon their respective completion.

(d) If requested by Island, City will grant Island an easement to construct additional underground parking under the driving range for nominal consideration, so long as the construction does not interfere with the operation of the driving range or cart storage building, except during periods of actual construction. This request will be made, if at all, before January 1, 2003, and if not requested, the obligation to grant an easement is waived.

<u>6. Replacement Golf facilities.</u> Under the 1987 agreement, Island is obligated to make space available to City for replacement Golf Facilities, which include the Pro Shop, restrooms, golf course parking, and cart storage areas. The parties have agreed to modifications in the replacement Golf Facilities, as set forth in this Agreement. Island is obligated to provide the replacement Golf Facilities, and City is obligated to lease and/or purchase the Golf Facilities as described below:

<u>A. Pro Shop Unit.</u> Island will construct a replacement pro shop at the location shown on the plans. It will be a separate condominium unit. The Pro Shop Unit will be approximately 2,000 square feet in area with convenient access to the golf course. The Construction Cost for the Pro Shop Unit is estimated at $144,256, plus soft costs. The Pro Shop Unit will be completed to a shell state, ready for tenant interior finishes, which are the sole responsibility of City. The shell will consist of rough plumbing and electrical, complete HVAC, fire sprinklers, and finished drywall walls and ceilings, and paint. City is responsible for all fixtures, floor coverings, and window coverings. City will provide Island with its proposed interior layout and any desired partitions within 60 days of the commencement of construction on the phase of the project that includes the Pro Shop Unit.

<u>B. Golf Course Rest Rooms.</u> Restrooms that comply with the Americans With Disabilities Act, totaling approximately 700 square feet will be provided for the Golf Course adjacent to the Pro Shop Unit as shown on the plans. These rest rooms

will be common area of the condominium. Hotel patrons will be able to use the Golf Course Restrooms, and Golf Course patrons will be able to use Hotel restrooms, as to some extent the patrons of each facility will overlap. The total Construction Cost of the Golf Course rest rooms is estimated at $87,750, plus soft costs, and will be added to the cost of the Pro Shop Unit for purposes of computing the purchase price or lease costs. City will pay 50% of the Construction Cost for the golf course rest rooms.

<u>C. City Cost Approval.</u> The stated Construction Cost for the Pro Shop Unit and Golf Course Restrooms are preliminary estimates only, and not final construction prices based on bids or signed contracts. They do not include soft costs. City will be given 30 days to review and approve or reject final Construction Cost and soft costs for the Pro Shop Unit/Golf Course Rest Rooms prior to the commencement of construction, and 10 days to review and approve or reject any change orders, or combination of change orders, that affect City's costs by $10,000 or more, with silence being deemed approval of the change. All cost estimates and change orders will be submitted in writing, and City's approval, rejection, or requests for clarifications will be made in writing.

<u>D. Cart Storage.</u> If requested by City, Island will construct the cart storage building on land owned by City under the driving range. This will be constructed by Island for the benefit of City, with the actual costs to be paid by City. Because this is built on land owned by City, no cost for land will in included. The estimated Construction Cost of the Golf Cart Storage Building is $335,000, or $50/square foot, plus soft costs. The cart storage building will contain approximately 6,700 square feet of space suitable for parking up to 75 golf carts. Plans for the Cart Storage Building are still conceptual, and it may be reduced in size. Design of the Cart Storage Building is entirely within the City's control and discretion. The Cart Storage building will be paid for by City, but, it may be financed through Island on the same basis as the Pro Shop Unit, with reimbursement of Construction Cost as described below for the Pro Shop Unit. It cannot be leased because it is located on City property. If City uses its own contractor to build the Cart Storage on City property, Island is relieved of any obligation to build it as part of Island's hotel project. Island will still finance the Cart Storage Building in an amount not to exceed $350,000 or City's actual costs, whichever is less, on the terms stated below for the Pro Shop Unit at City's request, provided that City must decide and notify Island that it wants Island to provide financing prior to placement of Island's construction financing so it can be factored into loan requests as an "off-site" improvement.

<u>E. Lease or Purchase.</u> City is obligated to either lease or purchase the completed Pro Shop Unit from Island. In either event, the purchase price or lease rate will be based on the actual Construction Cost of the Pro Shop Unit. If purchased, the City may either pay the full amount in cash upon completion of construction, or elect to have Island finance the purchase over 20 years at 6% interest, with equal payments that amortize principal and interest. City will cooperate in reasonable efforts to structure the transaction in a way that the interest qualifies as tax exempt municipal interest, so long as there are no additional costs to City, and City is not required to guarantee that tax treatment. Notice of the election to purchase will be given in writing at least 60 days prior to the estimated completion of construction so Island can make adjustments in its long term financing of the project. If City elects to lease the Pro Shop Unit, the lease will be a triple net lease and provide a

10% annual return to Island on the agreed upon cost of the Pro Shop Unit (which is the same as the purchase price). The lease term will be 20 years, with the right to renew for up to a total of 50 years. Base rent will be reviewed every three years, and adjusted by the actual change in the All Cities Consumer Price Index, with 1997 being the base year. In addition to rent, City is responsible for all occupancy costs of the Pro Shop Unit, including utilities, insurance, taxes, condominium common area assessments (exclusive of hotel operating costs such as front desk, housekeeping, and restaurant expenses). The Cart Storage building is located on City property, and will be purchased by City, with the purchase price being reimbursement of Construction Cost for that building as defined below.

F. Non-Compete Provisions. The Pro Shop Unit will be subject to deed restrictions prohibiting the use of that space for uses other than those reasonably appurtenant to the golf course. During the non-golf season, City will have the right to lease or sub-lease the Pro Shop Unit for non-golf activities that are not in direct competition with the commercial uses within the balance of the hotel project. The anticipated use is as the shop for cross country skiing on the golf course, but other uses are permissible. Retail businesses not related to the golf course (including x-country skiing) will be prohibited. So long as Island or tenants in the hotel commercial space are providing food and beverage service during hours when the golf course is open, City will not provide sit-down and on-site food and beverage service from the Pro Shop Unit. City will not provide sit-down food service on the golf course property within 100 feet of Island's property line, either directly or through concessionaires. This will not preclude the sale of drinks or sandwiches and other cold food from a golf cart based service, nor preclude food services provided in conjunction with golf tournaments or other special events. The 100 foot limitation will be waived during the 2002 Olympics.

G. Computation of Construction Costs. City's obligation to purchase the Pro Shop Unit, and the rental rate under the option to lease the Pro Shop Unit are based on the final Construction Costs. The preliminary Construction Cost, and the allocations for shared items such as footings, foundations, roofing, site preparation, and other common elements are shown in the attached construction cost schedules. Before construction commences, fixed price contracts will be negotiated by Island, with City having the right to approve costs and change orders as described above. All contracts will be in Island's name (except for the Cart Storage Building), and administered by Island, subject to the rights of City to review costs and changes. In addition to the Construction Cost as shown on the Construction Cost Schedules, City is also responsible for the following related costs, some of which are referred to elsewhere as Soft Costs:

(i) One half of the cost or preparing the condominium documents including the record of survey map and declaration (excluding costs associated with any mandatory rental pool, securities registration, out-of-state real estate sales registration, or timeshare ownership expenses), with the City's share not to exceed $10,000.

(ii) If not included on the Construction Cost Schedules, the actual costs of engineering, architectural, environmental, survey, soils, and similar expenses will be allocated on the basis of the relative percentages of the total Construction Cost to be borne by each party.

(iii) The actual costs of government fees, exactions, and permits are or will be included in the final Construction Cost Schedules. If City offsets or reduces any fees applicable to the Pro Shop Unit, Golf Course Rest Rooms, Parking, or Cart Storage Building, 100% of the actual reduction in fees will be applied against the City share of those fees in the total Construction Costs;

(iv) The actual cost of construction financing for the Pro Shop Unit, Golf Course Rest Rooms, City share of the Parking and Cart Storage Building will be allocated based on their respective percentages of the final Construction Costs for the phase of the project those items are in. In the event that Island finances the project internally, or without a conventional loan, the construction loan interest component will be equal to the First Security Bank (or its successor) prime lending rate, plus 150 basis points;

(v) Unless otherwise shown on the construction cost schedules, or specifically included in this agreement, all other costs associated with the construction of the project are Island's responsibility.

(vi) In the event Island learns of any conditions which will materially increase or decrease those costs during the course of construction, it will notify City in writing. Material changes in cost resulting from conditions beyond Island's reasonable control will not relieve City of its obligations to pay its share of the adjusted costs. If possible, the parties will attempt to find design solutions to reduce or eliminate unanticipated costs, but in no event will construction of the hotel project be delayed by City's redesign or modifications of the Pro Shop Unit once construction has begun.

(vii) No payment on the purchase of the Pro Shop Unit or lease payments will be due until 30 days after the Unit has received a temporary certificate of occupancy.

(viii) Island will provide City with copies of all construction draws during the course of construction, and regularly inform City of the progress of construction and any material changes in schedule.

H. Island to Construct. The construction of the Pro Shop Unit is a condition of the approval of the overall project, and does not become City property until completion. City has the option to purchase or lease, in the City's sole discretion. The Pro Shop Unit will be constructed by Island or its contractor, and as private projects, Island is not required to comply with public bidding procedures. The Golf Cart Storage Building is being constructed on City Property. Construction of the Cart Storage Building on City owned property has relieved Island of any obligation to provide cart storage as part of the underground garage, and results in considerable cost savings to City. Island agrees to provide financing for the Cart Storage Building, as described above, if City requests Island to construct it on City's behalf. If the Cart Storage Building is put out for bid, Island may bid on it, but is not required to, nor given any preference in the bidding process. Construction staging for the Cart Storage Building will not be on Island's property unless Island, or its contractor, are also the City's contractor on the Cart Storage Building.

I. Design Coordination. Design of the Pro Shop Unit, and necessary golf course modifications will be coordinated through Island's civil engineering and architectural consultants. Design of the Cart Storage Building may be handled separately by City, provided that site plan will be coordinated to maintain access and visual compatibility in materials, design, and appearance, and construction staging and scheduling. Island will be given 30 days to review and approve or reject the design of the Cart Storage Building, provided that this revivew will be limited to visual and functional considerations that reasonably affect Island's project.

7. Condominium Ownership. The hotel project will eventually be submitted to condominium ownership. It is a mixed use condominium, and different common area costs will be allocated in the Declaration to the commercial and residential units, and parking operation and maintenance costs will be weighted more heavily to the commercial units than residential. The parties anticipate that the Pro Shop Unit will be a separate commercial unit within the condominium, and subject to assessment for common area expenses as provided by the Condominium Act. The parking will be common area of the condominium. The Cart Storage Building, located on City property, will not be part of the condominium ownership. The condominium documents have not been drafted yet, and City will be an active participant in the preparation of the condominium documents. In general the parties agree that the condominium documents will:

(i) Use a par value based formula for allocating costs between the residential and commercial units, with parking costs weighted more heavily to the commercial units. 48% of the common area expenses associated with the underground parking will be allocated to the Pro Shop Unit. Other common area expenses will be allocated among the commercial units based on their relative square footage of commercial space. During the construction process, if the project is built in phases, this general approach will be applied, with a reallocation of common area interests occurring with the addition of each phase as provided under the Condominium Act for expandable condominiums;

(ii) Attempt to separate utility usage for the various units in a way that lets each Owner control its own utility costs. Where practical, utilities will be separately metered;

(iii) Create a distinction between common area costs associated with the residential and commercial units, and designate limited common areas which are the responsibility of each class of owner, and isolate interior maintenance costs of hotel corridors, lobbies, conference rooms, and back of house areas from the commercial units;

(iv) Isolate costs of hotel operation from the commercial units, so that hotel front desk, reservations, and operations, and furnishings, are not common area expenses chargeable to the commercial units, nor any time share or interval ownership costs; and

(v) If necessary to facilitate City's financing through the RDA, MBA or other agencies or combination of agencies controlled by City, the parking garage may be designated as one or more condominium units, rather than common area, provided that appropriate cross easements are in place to preserve the intent of shared parking between hotel and golf course users, and maintain zoning compliance for the hotel project.

8. Boundary Line Adjustments. There are several places where there are, or will be, encroachments by the golf course on to Island's property, and others where shared parking or other common areas encroach on the golf course property. The parties agree to subdivide, convey, and combine the land as necessary to eliminate these encroachments to the other party. Specifically these are shown on Exhibit C. Areas beyond the physical encroachments may need to be conveyed to maintain property building set backs for the zone. The boundary line adjustments will be made in conjunction with a subdivision plat processed jointly by City and Island to create the new property boundaries. This will be filed as soon as practicable based on construction drawings when the final boundaries can be determined. In addition, there may be a need for easements for encroachments or different uses on each party's property, and the parties agree to cooperate with each other to grant the necessary easements for the efficient operation of the project and the golf course.

9. Easements. There are additional areas shown in Exhibit C where there are easements necessary for the operation of the golf course. Island will grant easements for the cart paths as shown on Exhibit C. These will restrict the use to those uses reasonably necessary and consistent with the operation of the golf course and cross country ski operation. City will grant necessary utility easements under the golf course property if needed to serve either Island's project or the interim or permanent Golf Facilities.

10. Golf Course Modifications. There are some items of golf course modification described in the 1987 agreement that are not yet complete, and other items that are necessitated by the current plan which were not contemplated by the 1987 agreement. The following golf course changes will be made:

A. Number 1 Tee. The Number One tee is now on Island's property, and will be moved so that it is entirely on City Property.

B. Number 9 Green. The current 9th Green is located in an area proposed for the expansion of one of the golf course ponds, and needs to be relocated. In conjunction with that, the pond abutting the Ninth Green will be reconfigured as shown on the attached Exhibit D. Island will pay City up to $15,000 toward the actual cost of relocating the Number 9 green. If costs are less than $15,000, the balance will be refunded to Island.

C. Number 3 Tee. The Number 3 Tee is on Island's property. It will be relocated slightly, but as re-located is still partially within the 6½ acre parcel owned by Island. Island will convey the property necessary for the Number 3 Tee to City, without cost, so that it is entirely on City-Owned property. Building set-backs and density will be based on the existing property line. This is shown on Exhibit D. This will be accomplished through the subdivision process described above.

D. Pond Reconfiguration. The golf course pond abutting the Number 9 hole will be reshaped to fill in portions of the pond now located on Island's property, and to expand it on to other areas on Island and City property. In conjunction with this work, City has filed a stream alteration permit with the Utah Division of Water Rights. The pond reconfiguration is shown on Exhibit D. The completed pond will retain at least the same water volume as the existing pond, as it is used for snow making water storage. City has no obligation to Island to participate in the cost of the pond reconfiguration. The ponds are used for storage reservoirs for snow making and golf course irrigation. The water level will fluctuate, and City has no obligation to keep the ponds full.

E. Cart Path. The construction of the hotel will require the construction of a new cart path to connect the Number 9 hole back to the Pro Shop. The location of the new cart path is shown on Exhibit D. This is partially on Island's property, and Island will grant an easement to City for this use. The easement will be non-exclusive, and hotel guests will be entitled to use it for circulation within Island's project, and Island may install utilities under or across it as necessary for the development of Island's project, so long as the work is carried out in a manner that does not unreasonably interfere with golf course operations. This work will be completed with the completion of construction of the hotel, provided that temporary, hard-surfaced cart detours will be provided at all times during construction of the hotel project.

F. Number 9 Fairway. In order to reduce the overall construction costs to both parties, Island will be allowed to dispose of excavated material from the hotel project on the edge of the Number 9 fairway as shown on Exhibit C, or on other mutually acceptable locations on the golf course. The costs of grading and re-planting this area will be paid by Island, in addition to any other costs Island is obligated to pay for the remodel of the golf course. The excavation and fill will occur with minimum disruption to play on the golf course, and to the extent possible, will be done during the non-golf season. Soil will be tested by a qualified lab or engineer (at Island's expense), and test results reviewed by City before any soil is deposited on City property. City will not accept any material that is contaminated. Material deposited will also be suitable for use on the golf course, and Island may be required to stockpile top soil for a final layer before planting.

G. Costs. City will not be responsible for the costs of the pond relocation. Island was obligated under the 1987 Agreement to pay City $15,000 toward the cost of relocating the greens and tees. That amount has already been paid by Island's predecessor.

H. Responsibility and Timing of Golf Course Work. The relocation of greens and tees will be carried out by City and/or its contractors (other than the deposition of excavated material on the 9th Fairway, which will be carried out by Island). The cart paths as shown on Exhibit B will be constructed by Island. The pond relocation work will be done by Island and/or Park City Mountain Resort. These projects will be completed on a schedule worked out between Island and the City Leisure Services Director that reasonably accommodates Island's construction schedule and minimizes disruption to the operation of the golf course.

11. Construction Phasing and Mitigation Plan. The basic construction staging, parking, and mitigation plan is shown on the attached Exhibit B. In addition to those items shown on Exhibit B, construction traffic will be routed to the project from Thaynes Canyon Drive and not directly from Highway 224. No construction traffic will be routed on Payday Drive or Three Kings Drive. Access to temporary parking may be directly from Highway 224 to separate golf course users from construction areas.

12. General Planning Conditions. The following conditions of approval from the Planning Commission are incorporated into this permit:

A. A driveway access to Highway 224 will be permitted as shown on the site plan, provided that this will be for right turns only. Traffic turning left across Highway 224 will be routed to Thaynes Canyon Drive and will turn through the existing intersection.

B. Island will widen and stripe Thaynes Canyon Drive to a width of 40 feet back of the curb at the intersection with Highway 224 to the western-most point of the driveway entrance to the project from Thaynes Canyon. This width is intended to provide a left turn lane on Thaynes Canyon Drive. The additional right of way necessary for this will be split between Island and City, with equal widths being provided on their respective sides of the street.

C. Island will construct a 5 foot wide sidewalk along the north end of the project site to connect the driving range area with the sidewalk on Thaynes Canyon/Hwy. 224. The location of this is indicated on the site plan.

D. Signage and lighting plans will be submitted for review by the City at appropriate times. Lighting may be submitted early in construction in order to anticipate underground conduit placement. Signage plans are to be submitted prior to application for certificate of occupancy.

E. The free standing satellite commercial building at the northern end of the property is intended to function as support commercial, and not as destination retail. Support commercial is defined in the Land Management Code, and the free-standing building will not exceed 2,000 square feet in floor area.

F. No trees within the project or adjacent rights of way or on the golf course will be removed, trimmed, or transplanted without City approval, which will not be unreasonably withheld or delayed. A plan of tree removal and re-location is attached as Exhibit F.

G. The planning condition that Island provide temporary parking along the edge of the driving range has been intentionally deleted, as adequate temporary parking has been provided elsewhere on Island's property during the construction process.

13. Ordinance 87-14. Ordinance 87-14 was adopted in 1987, but has been held in abeyance and does not take effect until publication. The conditions to publication and the ordinance taking effect are payment of fees for the project, issuance of initial permits, and, as a result of the modified MPD, approval by the Planning Commission of the revised MPD. With respect to these conditions, the parties agree as follows:

A. Payment of Fees. The project will be constructed in phases, and fees will be payable on each phase as it is constructed, consistent with City policy and practice. Payment of fees in conjunction with the first phase is sufficient to satisfy the requirements of Ordinance 87-14 if that payment is at least $150,000 of building related fees, to be credited against fees as building permits are issued, and the $15,000 toward golf course remodeling costs.

B. Issuance of Permits. The demolition permit for the existing structure housing the Pro Shop and restaurant will constitute initial permits for the project as described in Ordinance 87-14.

C. Planning Commission Approval. The December, 1996 approval of the revised MPD by the Planning Commission has satisfied that requirement of Ordinance 87-14.

Upon payment of the fees and issuance of the permit described above, City will publish Ordinance 87-14, causing it to take effect as of that date. At that time, the zone of the property will change from RD to RD-MPD, with the density entitlement as provided in the MPD approved by the Planning Commission in December 1996, and as incorporated into this agreement.

14. Transferability of Permit. This Development Agreement and the MPD approval, and any building permits issued under them, may be transferred by Island to its successors in interest or assigns with the title to the property, provided that the obligations of successors to provide the replacement Golf Facilities and other obligations to the City are assumed by the successor or have been otherwise satisfied by Island.

15. Amendment and Modifications. Non-material modifications, technical corrections, and reconciliation of various drawings may be made without planning commission review. The planning and/or building departments will review those changes. Material changes will be presented for review by the planning commission. The parties are anticipating some modifications in parking layout, and the replacement of some underground parking with surface parking. This will be presented to the Planning Commission as an information or consent agenda item, and, as long as the change does not increase the number of surface parking by more than 28 spaces will be considered non-material. Parking cost savings resulting from the relocation of parking will be shared between Island and City. In order to minimize disruption to the golf course, City agrees to expedite review of changes.

16. Duration. Upon the publication of Ordinance 87-14, the MPD approval shall have a duration of 2 years from the date this Agreement is signed by both parties. The MPD approval may be extended for an additional 2 years by action of the City Planning Commission. In addition, if Island commences substantial construction on the hotel project in a manner consistent with the MPD approval, the construction activity will automatically extend the MPD approval as provided in the Land Management Code.

17. Insurance. During the construction period, there are likely to be situations where Island is performing work on City property, and City is performing work on Island's Property. The temporary golf facilities will all be on Island's property. The parties agree to provide insurance as follows:

A. Island will indemnify City against any mechanics liens or other claims related to work carried out by Island on City property, specifically including grading and pond reconfiguration. To the extent of any work carried out by City on Island's property, City will indemnify Island against mechanics liens.

B. Island will require its contractor to provide contractor's general liability insurance coverage in the face amount of $1 million per occurrence, $2 million aggregate covering the construction site, including any work on City property, and naming City as an additional insured. In addition, the Contractor will be required to provide workman compensation coverage on all employees, and require similar insurance from all sub-contractors.

C. Island's contractor will be required to carry Builders All Risk casualty insurance on the building from the commencement of construction until completion and placement of insurance coverage by the owners. This insurance will be in such amounts as necessary for the complete replacement of the building in the event of property loss.

D. Island, or its contractor, will provide property casualty insurance on the temporary pro shop structure, or, at Island's option, be responsible for the cost of replacing that structure if damaged while it is still needed for City's use.

E. City will provide insurance for the golf course operation with $1 million coverage per occurrence and $2 million aggregate. This may be provided through City's blanket insurance policies or self insurance program. Island has no role in the ownership, management, maintenance, or operation of the golf course. To the extent that golf facilities are located on Island's property, City will name Island as an additional insured.

F. During the construction period, while the golf course is operating from the temporary pro shop, Island is not required to provide insurance on the contents in the temporary pro shop, including furnishings, office equipment, inventory, or on the golf carts.

G. Following construction of the replacement Pro Shop Unit, the property insurance on the structure will be provided through the condominium association as common area expense. The condominium insurance coverage will not include personal property, fixtures, or inventory of any unit owner in the condominium. The condominium insurance will not include liability insurance on the golf course itself, which remains City property and a City function. If the use of the Pro Shop Unit for a golf course results in higher liability insurance premiums for the condominium as a whole, City agrees to pay the difference between standard coverage and that required because of the golf use on the property.

18. No Business Relationship. Notwithstanding the reserved right to lease or purchase the Golf Facilities, and the City involvement in design and construction in a proprietary context, there is no business entity or relationship created between the parties other than that of vendor/purchaser or landlord/tenant. City is not a guarantor of Island's construction contract or financing.

19. Golf Course Access. City agrees that it will not unfairly discriminate against Island's owners and hotel guests in terms of access to the golf course, but no preferential access rights greater than those afforded other Park City hotel guests or second home owners are contemplated by this agreement.

20. Interval Ownership. If permitted by current or subsequent zoning, City will permit a system of time interval ownership affecting the residential units so long as the costs of timeshare operations are isolated from the general common area expenses of the condominium.

21. Third Party Obligations. There are some obligations and rights under the 1987 Agreement between City and Park City Mountain Resort concerning matters not relevant to the development of Island's property. It is not the intention of the parties to affect those obligations by this Agreement.

22. Complete Agreement. This Agreement, with its exhibits and the December 1996 MPD Approval, is intended to be the complete agreement between the parties, and in the event of any discrepancies between the MPD approval by the planning commission and this Agreement, this Agreement is intended to control.

23. Attorneys Fees. In the event of action to enforce this Agreement by either party, the prevailing party will be entitled to recover reasonable attorneys' fees and costs of court incurred in the enforcement.

Effective this ___ day of July, 1997.

ISLAND TRADING REAL ESTATE, INC., a Delaware corporation

By:________________________
Its:

PARK CITY MUNICIPAL CORP.
a municipality of the
State of Utah

By:________________________
Its:

Exhibits:

A	Legal Description of Land
B	Construction Staging and Mitigation Plan showing interim golf pro shop, parking, and operations
C	Golf Course Remodel Plan, showing property boundary adjustments, cart path easements, and tee/green relocations, fairway fill area
D	Cart Path easement through hotel project.
E	Construction cost schedules
F	Tree removal, preservation, and re-location plan
G	MPD approval