FARMINGTON CITY – CITY COUNCIL RETREAT

Zermatt Resort, Midway, Utah

March 2, 2024

Present:

Mayor Brett Anderson,
City Manager Brigham Mellor,
Mayor Pro Tempore/Councilmember Alex Leeman,
Councilmember Roger Child,
Councilmember Scott Isaacson,
Councilmember Melissa Layton,
Councilmember Amy Shumway
City Attorney Paul Roberts,
City Recorder DeAnn Carlile,
Assistant City Manager/City Engineer Chad Boshell,
Finance Director Greg Davis,
Community Development Director David Petersen,
Parks and Recreation Coordinator Colby Thackeray,
Public Works Director Larry Famuliner,
Police Chief Eric Johnsen,
Fire Chief Rich Love,
Treasurer Shannon Harper, and
Senior Accountant Kyle Robertson.

BREAKFAST

Breakfast was served from 9:00 – 9:30 a.m. City Manager **Brigham Mellor** called the retreat session to order at 9:40 a.m.

PROJECT FINANCING EXERCISE

Mellor provided background history on the Old Farm property. What was the K-Mart property was a redevelopment agency, from which Farmington collected tax increment money to help pay $160,000 for a bond for the gym. Around 2010, there was a developer, **Rulon Gardner**, looking at doing a Whole Foods in the Old Farm area, which got controversial in the Neighborhood Mixed Use zone. A few more years later, the City's idea of what is possible in Farmington morphed due to the Station Park retail center.

Community Development Director **David Petersen** said there was opposition to the election of **David Connors** (former City Councilmember and Mayor), a resident of the Summerset area, who eventually lost an election to **Scott Harbertson**. There is still Summerset opposition to the commercial development of Old Farm, and some residents believed it was to be a park. **Mellor** said that neighborhood has less influence now that the City is larger.

The market collapsed in 2008, and the land sat vacant, eventually becoming bank-owned property. **Petersen** said that a Development Agreement (DA) spelling out commercial development ran with the property when it was bank-owned. The opportunity came for Farmington to buy the land with cash from the Redevelopment Agency (RDA). When the RDA was set up in 1994, the money had to pay for housing, but not necessarily affordable housing. Farmington eventually used general fund money to buy out the RDA, so the land belongs to Farmington City now. When the property came under Farmington's ownership, and the DA running with it was therefore with itself, Farmington could do with the DA what it wanted. Therefore, there are no requirements binding the Old Farm property at this time.

The RDA money went on to purchase the Sidwell property, where there was demolition work done. Wasatch Properties was going to use some of the RDA money for affordable housing, but that project didn't happen as expected. Evergreen may use some of that money later this year. So, that money will be able to be parked in an affordable housing project in 2024.

Mellor said the flexibility with the Old Farm entitlements are broad. The ordinance can be adjusted for this undeveloped property. He said he regularly gets calls from people interested in developing this property. A representative of D.R. Horton recently offered Farmington $12 million cash for this property.

Old Farm (17.08 acres), Development Concept – How could the money be used?

- Fire station bond will cost $1.2 million per year. Revenue for the Fire Station can come from impact fees, which aren't consistent since they rely on building permits. Taking $1.2 million from the $3.3 million General Fund balance would put the City in a shaky position, with little left in case of a "rainy day."
- Operational expenses for the new fire station are estimated at $300,000 per year.
- Burying power lines at Wasatch Sports Park (WSP) may cost $1 million. Farmington waived $500,000 to $600,000 in impact fees for the County to do this project, which will help in negotiations. WSP is planning $14.5 million revenue per year in sales tax, of which Farmington gets 10-15%.
- Farmington can purchase Rocky Mountain Power Substation land for $900,000.
- Old Mill, Gyms, Pools etc…

Mellor noted that Farmington has owned the park in West Farmington for five years, and it has taken that long to get the design, infrastructure, and development going. Farmington could save hundreds of thousands of dollars to be its own bank and not charge interest, fronting money that will get paid back eventually.

The Utah Department of Transportation (UDOT) owns the Old Farm detention basin, which Farmington maintains. Farmington gets nothing out of it, but it could become more than 2 acres of usable land. **Mellor** displayed a development concept for the area showing potential density for townhomes and retail.

- Require a developer to condominiumize the (owner-occupied) units
- Provide neighbors to the Zions Bank/Butter Bake Shop
- Customized zoning for form-based code, or strategically re-write the ordinance
- Collect $30,000 to $40,000 in property tax annually if built out
- Count the detention basin as part of the green space acreage
- Leverage the asset to: act as guarantee for debt service payment for Fire Station, and/or pay for debt on amenities available to the public

Mellor said Farmington can sit on this land and keep preserving it, if desired. It is becoming an industrial space to some extent, used as a dump site. It is not being used to its highest and best use. There are a lot of ideas people have had for this land such as a legacy farm, which is industrialized. This is not a good place for such a use. Per State Statute, it should not be sold for less than market value.

Councilman **Scott Isaacson** said facts and information need to be collected to show why this will not be developed as a park, which some in the public expect. They need to be able to answer to the public on this issue. **Mellor** said if it is not going to be used as a park, they need to be able to tell the public what the money will be used for, and a fire station is a noble effort. It would be used to guarantee the debt service.

Councilmember **Melissa Layton** said some people in Summerset may not take kindly to their park being taken away to help fund a fire station made necessary only because of growth on the west side of town. New growth should pay for the new fire station. Councilmember **Alex Leeman** said he has heard similar. **Mellor** said personnel problems Farmington is facing right now are problems for the whole city, not just a portion of it. He is concerned if the fire station is built this year, there won't be a way to fund the $1.2 million debt payment.

Leeman cautioned the Council to differentiate between needs and wants/luxury items. In the meantime amenities such as the public pool are deteriorating each year. A voted special bond would have to fund a new pool, or another revenue source will have to pay for it. **Isaacson** said Summerset people will be really upset if Old Farm is used for affordable housing units such as apartments.

Mellor said Recreation Arts and Parks (RAP) tax and impact fees can pay Farmington back. It is turning a dormant asset into something the community can use. **Isaacson** said the City Council has the duty to use the property to the benefit of the community and City as a whole, and to do so without intimidation. **Leeman** said the Council should not be operating out of fear. It is not a question of whether it should be done or not, but how to best maximize the land. **Isaacson** said he gets more emails about residents wanting a better pool than anything else. The idea of selling Old Farm could be used to emphasize the need for a revenue source. **Petersen** said the Summerset people love their trails, and it could be emphasized that revenue from Old Farm will be paying for the Old Mill, which connects to the trail system.

Mellor showed two homes that are virtually the same size and age, but both are selling for different prices. One backs up to a private golf course and one backs up to raw, public land. Public land can double the value of surrounding homes.

Mellor said the process would have several steps. First, the City must look at the ordinance to see what is allowed and what needs to change. After making needed changes, a real estate agent should be retained to list the property and provide input. Farmington should have a plan about what they are going to do with the proceeds of the sale (maybe a new pool, or Old Mill park). The narrative should be prepared and shared in the newsletter/website before the property is listed for sale. Developers/potential buyers would have to submit a Request for Proposals (RFP) so the seller would have a clear view of what the plans for the property were, as well as the credentials of the buyer. There would be no concrete commitment to sale at any particular time. If proposals are lackluster and interest wanes, it may not be the right time to sell Old Farm. Councilmember **Roger Child** said an outright sale may be the worst thing to do at this point.

Commitment needs to be built for future deals with the City. He would like to see a detailed process and decision tree before making a decision.

RESOURCE ALLOCATION EXERCISE

Elected officials mixed with department heads to participate in a visual exercise to decide where to allocate all the identified park money. Every group of money—such as Recreation Arts and Parks (RAP) tax, West Davis Corridor (WDC) benefits, park impact fees, reception center lease—had a different color and could only be used for certain things.

Mellor said the main point of the exercise was to demonstrate the shortfalls and show that these are restricted resources. There are other revenue streams such as those that come in from the pool and gym, but the City by and large subsidizes those things. Fundraisers are godsends, but are difficult to plan on consistently.

Councilmember **Amy Shumway** requested a breakdown of the expenses of building and continually operating an indoor pool. These can assist in answering resident emails. From her perspective, building and operating an indoor pool is not something she would like to allocate Farmington tax revenue towards. An indoor community pool would take $1 million in just annual operating and maintenance funds in an $18 million total budget.

Mellor said it may be possible at full build out, but that is yet to be realized. A new property tax could be assessed for certain projects. For example, the South Davis Rec Center is a property tax allocation that comes in on a separate line item. That is how Kearns and other Utah cities pay for their indoor pools. **Isaacson** said if the community really wants it, it should be put on the ballot for the people's vote, as long as they are armed with the facts of how much it will cost them in increased taxes. **Leeman** said Roy's pool has been closed for over a year because they didn't have $1 million for a new boiler. Lifetime isn't amenable to a public/private partnership for use of their pools, even with Farmington's offer to give them $2 million off their taxes.

Councilmembers wondered if neighboring cities would be interested in sharing responsibility for a new swimming pool. For example, the cities of South Davis County could all contribute. **Mellor** said it is a good idea to explore that possibility. **Leeman** noted that Cherry Hill would likely not be excited about Fruit Heights contributing to a pool.

FINANCIAL DISCUSSION

Finance Director **Greg Davis** addressed the Council. Departments have been turning in their requests for the upcoming budget. There is a challenge covering ongoing expenses with ongoing revenues for the upcoming fiscal year. Accommodating all requests will be challenging as sales tax is leveling off more quickly than anticipated and wages are inflating. **Davis** initially budgeted $8.4 million in sales tax with 4% growth. It was set too high, as projections now have tax revenue coming in at a projected $7.52 million instead. Both the County and State have experienced the same overestimation. Property tax collected is about $4 million. The most stable revenue source of the two is property tax.

Regarding property taxes, Farmington is on the lower end compared to other Davis County cities for fall of 2023. Staff is considering a 10% property tax increase, but would like direction from the Council. **Mellor** said spending could be cut to make up the deficit for this year. Also being considered are 3% Cost of Living Adjustment (COLA) and 2% merit increases for employees, or a total of 5%. Sales tax could still come in higher than expected, but it is not wise to plan on it. Both increasing and decreasing property taxes creates problems, and the Council needs to decide what type of problems to deal with. He would argue that Farmington hasn't been forward-thinking enough and some wage increases should be done. There are two formal opportunities to consider an increase in property taxes: June during budget hearings or September with a Truth in Taxation hearing. If property taxes were not increased, wages would likewise not be increased.

Child said he does not think it is an either/or. He needs Staff to do the homework and show both sides. **Davis** said Staff would like to educate the Council about all the options, and he is open to any tweaks they may suggest. At this point it is a moving target. November sales tax, when they got it in January, went up 14%. December sales tax was down 12% compared to the prior year's December. There are wide fluctuations going on. Wages are moving targets as well.

An average home in Farmington worth $648,000 in 2023 is taxed at 55%. Some cities have a metro fire district and recreation district with their own tax rates. Farmington keeps fire and recreation in-house. A 10% increase would result in a $50 increase per home annually, or $4.50 per month.

Leeman said messaging when fielding questions should be that Farmington's long-term strategy is still sound, but this is a gap year when things have slowed. Last year, the assumption was that three or four major projects would already be under construction and opening within 12 months. What ended up happening was only two things being opened in Sego. Therefore, the anticipated revenue hasn't come yet as expenses are rising. However, the long-term plan is still sound. To the public, there isn't much difference between a 10% or 15% property tax increase.

Child said a tax increase this year on the heels of last year's tax increase is a different story compared to last year's story of Farmington not raising property taxes for over a decade. So the story needs to be pitched differently. Retail is the type of real estate with the shortest life. Farmington should retrofit retail to keep it fresh. The City is in a good condition to always maintain a good location and infrastructure for retail. Things now are mostly evening retail with people driving in. Farmington needs to increase its daily retail, which is provided by people living and working in the City. Retail succeeds when there is both day and night options. Until the workers and multi-family come, the daily will not be there. Sales tax is not reliable as a funding source.

Isaacson said he remembers a consultant saying the strip mall part of Station Park would die in 20 years, and the rest of it would last longer. He thinks residents would balk the closer it comes to raising property taxes a cumulative of 50% over consecutive years. The last increase was for police and public safety, which made the increase comfortable. It is not appropriate fiscal planning to raise taxes every 10 years. Salary increases won't be a good selling point for an increase, because many residents are struggling and not getting raises themselves. **Child** said many residents are on fixed incomes now. **Leeman** said people were more intelligent and less cost-sensitive about last year's property tax increase than he expected. They listened to the facts.

Davis said Staff would work on cutting expenses and considering service level decreases. Looking at this as a one-time pause, and then dipping into fund balance to compensate is another option. However, the power of the workforce cannot be eroded. Employees are the greatest expense and also the biggest asset. **Isaacson** said Farmington has had a tradition of maintaining a maximum fund balance each year. A gap year would justify dipping into the fund balance. **Davis** said the fund balance used to be at over 45%, and it is projected to drop down to 18% to 20% by the end of the year. It may be a three- to four-year gap. Isaacson said the fund balance is to help smooth out the inevitable swings. Staff will present options with 0%, 10%, and 15% property tax increases for consideration going forward.

ADJOURN

Councilmember **Melissa Layton** made a motion to adjourn the meeting at 11:44 a.m.

Councilmember **Alex Leeman** seconded the motion. All Council members voted in favor, as there was no opposing vote.

Mayor Pro Tempore/Councilmember Alex Leeman	**X** Aye ____ Nay
Councilmember Roger Child	**X** Aye ____ Nay
Councilmember Scott Isaacson	**X** Aye ____ Nay
Councilmember Melissa Layton	**X** Aye ____ Nay
Councilmember Amy Shumway	**X** Aye ____ Nay

__/s/ DeAnn Carlile____

DeAnn Carlile, Recorder