

**M**INUTES OF THE VERNAL CITY COUNCIL SPECIAL MEETING HELD  
DECEMBER 20,2011 at 4:00 p.m. in the Vernal City Council Room, 374 East Main,  
Vernal, Utah 84078.

**PRESENT:** Councilmembers Cal Dee Reynolds, JoAnn Cowan, Sonja Norton, and Mayor Gary Showalter, and Councilmember Elect David Everett. Councilmember Bert Clark and Ted Munford were excused.

**WELCOME:** Mayor Showalter welcomed everyone to the meeting.

**STAFF PRESENT:** Ken Bassett, Roxanne Behunin, Becky Richards, GJ Searle and Allen Parker.

**ACKNOWLEDGEMENT AND APPROVAL OF SPECIAL MEETING:** Councilmember JoAnn Cowan moved to acknowledge and approve this special meeting. Councilmember Sonja Norton seconded the motion. The motion passed with Councilmembers Cowan, Norton and Reynolds voting in favor.

**ECONOMIC DEVELOPMENT DISCUSSION – THE GARDNER GROUP:** Mr. Rulon Gardner introduced representatives from the Gardner Group: Mr. Barack Lacey, Mr. Scott Gardner, Mr. Andrew Gardner and Mr. Ashworth. He explained that the Gardner Group has purchased the property in front of Lowe’s and will be developing the Vernal Town Center on that property. He displayed a slide show of other projects they have completed in Utah to show their experience with this type of project. He noted that they have been in business for over 30 years, and built Split Mountain Village subdivision in Vernal which made them excited about the area. As the master plan was envisioned for the Vernal Town Center, they realized there are two retail giants on each end of this retail development which will draw other retailers. Typically, the first phase of any development requires the infrastructure to be installed, and this property already has the infrastructure which has been incorporated into the plan. The vision for this property includes a hotel, restaurant, fast food, bank, steak house and inline retail space along with another big box tenant at the back of the development. The reality is that this is a tough market, and the potential tenants are looking at what can be done to assist them in opening a shop in Vernal. The hope is that many of the potential tenants, such as Joann’s, Shoe Carnival, and Sally’s Salon, will sign letters of intent joining the bank that has committed as well as a national restaurant chain. The big anchor has indicated they want certain economic provisions in their proposal which the Gardner Group is not sure how to meet. Mr. Rulon Gardner asked the City to consider partnering with them by designating a Community Development Area (CDA) for Vernal City, providing a potential incentive to assist the tenants through property tax dollars helping with the construction. He stated that this incentive is needed to attract the apparel merchandising anchor which will then attract other retailers allowing the construction to be completed more quickly. Councilmember Cowan asked how the CDA will work. Rulon Gardner explained that the development would capture a percentage of the property tax from the increased valuation of the property over a given period of time that could be used to assist the development after the buildings are constructed. Councilmember Cowan noted that the City’s

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share of property tax is not as high as other entities. Rulon Gardner agreed, and explained that the other entities would also have to approve the tax incentive through an Interlocal Agreement and an organized tax committee.

Mr. Eric Johnson, bonding attorney for Vernal City, explained that if Vernal City determines that this development is a worthwhile endeavor for a CDA, the City would become the sponsoring entity. Once the CDA is formed, representatives from the school district, county and other taxing bodies are appointed to a committee to decide how the CDA will work. For example, if the value of the property at a specified development is listed at one million dollars, and the development increases the value to five million dollars, the development can receive a slice of the property tax based on the additional value. There are two primary reasons for the taxing committee to agree to such a plan; 1) the development will not happen if they do not receive this financial help, or 2) the development will be delayed by years. If it is determined that the second reason applies, the increase in taxes comes sooner and more aggressively if everyone helps out. The City would have two representatives on the committee as the sponsoring entity. Mayor Showalter asked if the CDA would only affect property tax and not any other revenue stream of the City. Rulon Gardner answered yes. Councilmember Norton asked for clarification on who is represented on the taxing committee. Eric Johnson stated that the City would have two representatives, the county, and school district would each have a representative, the State School Board would appoint a representative, and there would be one representative from the special service districts. Councilmember Cowan noted that some of the Districts are not taxing entities and wondered if they would be included. Eric Johnson stated he would double check the State statute. Councilmember Cowan asked if this type of partnership is common. Eric Johnson answered that CDA's have been formed all over the State since the 70's. He cited as an example where one community dragged their feet in setting up the CDA and a neighboring community formed the CDA and got the commercial retailers in their jurisdiction instead. Councilmember Cowan asked what justification is given to small businesses that the City is helping bring this large development. Eric Johnson stated that the Council needs to be convinced this development will not happen or will take years to happen unless the City helps. Also, once a CDA is formed, it is city-wide. Rulon Gardner confirmed that Gardner Group needs this help to be successful. Retailers such as Barnes and Noble will not join this development without the co-tenancy of other well known retailers and the enticement of lowered rent that can be offered with the tax incentive. Councilmember Cowan asked what logic will be used to persuade Uintah County or the School District. Rulon Gardner stated they will present the same logic, that the development may not happen without help and that they will still get property taxes on the higher value. Councilmember Reynolds clarified that the taxing entities receive their initial property tax based on the current market value and receive a portion of the increase on the higher value. Rulon Gardner answered yes. It will be the responsibility of the developer to present a project plan and budget to the tax entity committee. Mayor Showalter asked if once a CDA is formed if it will exist in perpetuity. Eric Johnson answered that is correct, with Vernal City being the building authority. Ken Bassett asked what is generally the portion of the property tax that is given to the

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developer. Rulon Gardner stated that typically it is 75%. Eric Johnson stated that is subject to negotiation, and the taxing entity committee weighs in on that decision. He suggested that the sponsoring entity meet with the other entities to see if they are interested. Ken Bassett asked what the time frame is to set up the CDA. Eric Johnson stated it takes approximately 120 days. Ken Bassett asked who is responsible for the legal fees associated with the CDA. Eric Johnson suggested the City enter into an agreement with the Gardner Group to reimburse the City for any out of pocket expenses. He recommended the City not consider forming the CDA without that commitment from Gardner Group. Councilmember Cowan asked if when this type of partnership is formed in rural communities, are the other entities supportive. Rulon Gardner stated that they are supportive and want their communities to thrive. Eric Johnson stated that the State School Board considers themselves to be a watch dog, and if they do not think the project is beneficial, they can resist. Ken Bassett asked what their track record is. Eric Johnson stated it is hard to say because they have supported a number of projects, yet have opposed those they felt were not worthy. Rulon Gardner thanked the Council for taking the time to listen to their proposal. Eric Johnson agreed to prepare a brief outline of the steps necessary to form a CDA. Mayor Showalter voiced his concern for the downtown businesses and hoped forming a CDA will help them as well as the Gardner Group development. Tammy Lucero, Uintah County Economic Development Director, acknowledged that this development will help keep shoppers in Vernal which will help the entire community.

Dave Everett agreed that this will be a crucial component for retailers to become tenants in Vernal City. Mayor Showalter stated that the Council will look at this proposal carefully once the guidelines are received from Mr. Johnson. Mr. Gardner again thanked the Council for taking the time to listen to their proposal.

**ADJOURN:** There being no further business, *Councilmember Sonja Norton moved to adjourn. Councilmember JoAnn Cowan seconded the motion. The motion passed with a unanimous vote and the meeting was declared adjourned.*

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Mayor Gary Showalter

ATTEST:

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Roxanne Behunin, Deputy Recorder

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