



City Council Staff Report

Subject: Park City Arts and Culture District Update
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Recommendation

Provide feedback regarding the Park City Arts and Culture District proposed pre-development activities, fund sources and uses, the construction timeline, and other aspects of project development.

Executive Summary

“At this moment in time we have the rare opportunity to affect the complexion of an entire neighborhood. While successful on several levels, and certainly serving an important cross section of our community, the area is undergoing extensive redevelopment pressure. I’ve watched these redevelopment proposals go through many iterations, many missteps. We now have the opportunity to master plan the neighborhood based on the concept of arts and culture that are so essential to our sense of community.”

- Former Mayor Jack Thomas, July 2017

Over the last five years, the Sundance Institute, Kimball Art Center, and Park City Municipal planned carefully for and strategically invested their resources to begin the realization of the long-anticipated local Arts and Culture District. Since 2017, the City, in consultation the Kimball Art Center, Sundance Institute, and other community organizations participated in a series of initiatives to research the need in the community, identify assets and areas of opportunity, study various models for how to best capitalize on those assets and opportunities, and engage residents early on to articulate a long term vision for the Arts and Culture District.

The beauty and success of the District as envisioned lies in its synergies – between and among organizations and individuals working together to showcase local, national and international artists, certainly, but also in how it will manifest many of the priorities identified in community and City Council visioning exercises over the past few years. As a year-round employment center and a destination for locals and visitors alike, the District is a natural location for major community investments to further critical community priorities – Housing, Transportation, Social Equity, and Energy.

For example, strengthening the connections for pedestrians and cyclists will address significant gaps in the City's regional active transportation network. Affordable/attainable housing will be located on site to support the people who work in and around the District. Sustainable building practices and development are consistent with net zero goals. And the cultivation of local artists and artisans, by providing affordable space and community resources help achieve a more sustainable and socially equitable form of local economic and cultural development.

The latest community visioning strategic planning ([Park City Vision 2020](#)) asked residents to answer these questions:

1. What makes Park City the place that people wish to call home and how do the individual aspects of people and neighborhoods intersect to create a place where people live, work, visit and recreate?
2. What makes Park City special and what should Park City become?
3. What are the tangible and intangible elements of the community that, if lost, would fundamentally change the character of Park City?

This process concluded that the community desired to change the focus from a tourism-centered economy by focusing on smart, adaptable projects while keeping the “qualities that make (and have made) Park City an iconic and prestigious mountain town.” The District has been designed with this principle at its core. As the new center of creativity for Park City, the District will bring together visual, media and performing arts, immersive learning, culinary experiences, and community celebrations in one flexible indoor/outdoor space. Inclusive, accessible, and interactive, the District will provide a new home for Park City's creatives— a place for artisans, purveyors, makers, students, and residents of all ages and interests, to gather, mix, share, create and explore. While appreciating the tourism and snow economy, the District is designed for the year-round creative economy.

The development of this Arts and Culture District presents a rare opportunity in Park City – a project unlike any other in the state of Utah – and one that aims to invest and further so many core community priorities in a single, all-inclusive initiative. For all its potential, however, the immediate and long-term impacts of the COVID-19 crisis are at the forefront of considerations of next steps for the District. The easy path is clear – retreat, and inform the community and stakeholders of a project suspension due to the health pandemic and its economic and social impacts. The Transient Room Tax revenues, after all, are certainly impacted, and the City must refine cash flow projections for the next five years using conservative estimates accordingly.

Despite the easy path, the City's design team, stakeholders, and staff see a unique opportunity to continue the project and utilize the post-COVID-19 phase of recovery to fuel and galvanize local support and creativity. We believe the pandemic presents a host of potential opportunities for the City to capitalize on historically low financing costs and potentially favorable construction bids. Further, the project could contribute to shoring up the local economy through construction jobs, related economic recovery, and ultimately though creating long-term economic opportunity for the region's artists,

artisans, creatives, and non-profits. At the same time, the City recognizes that the District Partners will likely need to adjust their timing for their respective building projects while the economy recovers from the effects of the pandemic.

As the City finalizes the District's Master Planned Development application, pre-construction activities continue. Next steps include significant design and programming refinements, preparing governance and programming agreements, site utility and related infrastructure preparation, creating documents for demolition, excavation, and footings and foundation service bids, and pre-construction site preparation (environmental mitigation and demolition). These activities are projected to take around eight months, during which time the Council would review a final project budget and consider approving a contract with a construction management firm for construction of the City's buildings and public spaces.

Background

Assessment and Engagement

After many years of informal discussions, on July 20, 2017, Park City Municipal Corporation ("City") signed letters of intent with the Kimball Arts Center ("KAC") and the Sundance Institute ("SI") (collectively "Partners") to design and build a community-focused arts and culture mixed use development in Bonanza Park ("District").

Subsequently, the City announced the purchase of the Bonanza Park East properties and enacted a 1% Municipal Transient Room Tax ("TRT") effective January 1, 2018. (See Attachment A – July 2017 Press Statement). The Partners then issued a joint request for proposals ("RFP") for a community arts and cultural assessment. Webb Management Services conducted analysis based on the physical assets in Park City and Summit County and a series of interviews with local stakeholders and community members, which produced the [2017 Park City Cultural Facilities and District Feasibility Study](#) ("Feasibility Study"). In 2018, Summit County published the first phase of [Project ABC: Art, Beauty, and Culture](#), which included a cultural plan describing "a series of priorities and recommendations that support our local artists, nonprofits, businesses, makers, and creative dreamers."

Pre-Development Planning

On November 15, 2017, the City, in consultation with KAC and SI, issued an RFP for Arts and Culture District Mixed-Use Development Architectural and Engineering Design Services (Attachment B) and entered into an agreement with Lake|Flato Architects ("LFA") on January 15, 2018. LFA worked with the Partners and their respective design teams to master plan the site based on the Feasibility Study and prepare a Master Planned Development ("MPD") application for the Park City Planning Department. Simultaneously, LFA began to design the future City-managed facilities, which initially contemplated artist and maker studios, rehearsal and performance spaces, a media arts

center, culinary offerings, a significant affordable housing component, on-site transit infrastructure, and a large outdoor plaza.

In late 2019, the City published a request for qualifications for comprehensive pre-development coordination and construction oversight services. In February 2020, the City selected GTS Development to provide those owner's representative services for the City, and they began coordinating the necessary pre-development planning and land use entitlement work while LFA continued to refine the MPD application and City facility designs.

COVID-19

In March 2020, the COVID-19 pandemic brought massive social and economic trauma to Park City area, necessitating an early end to the winter season and thrusting the Partners into unknown territory. As a public entity, City faced a choice: pause the planning and design work in progress, or proceed cautiously in anticipation of eventual construction. Given the City's investment thus far, the potential to take advantage of favorable construction costs and cheaper debt financing, and to be ready if there was an opportunity to support local, state, or federal economic stimulus initiatives, the City continued with pre-construction design and planning. At the same time, staff continued to refine revenue estimates to evaluate cash flow projections for the construction of the City buildings and public spaces project through 2024. COVID-19's impact on the schedule for the SDI and KAC's facilities will likely result in adjusting the timing for considering their planning and development. The City recognizes that it must be flexible and adapt to the Partners' circumstances while progressing with its responsibilities in the development of the District.

As of today, the City has made significant progress on designs for its facilities along with overall District planning in anticipation of submitting the MPD this summer. A community-based design committee comprised of individuals with subject-matter expertise related to the proposed components of the District are in the process of identifying desired programmatic elements in order to advance LFA's architectural and planning work. And the City has begun to reintroduce the project to the general public after many months of behind-the-scenes planning and design work. Staff and the design team are excited to show how the MPD along with the City's building designs and program elements reflect the community's expectations.

Analysis

The City's next step in the development of the District is to proceed with pre-construction activities over the next eight months, including the MPD approval process, programmatic refining, detailed design and engineering for demolition and construction bid documents, site preparation and clearing, and the selection of a construction management firm for City facilities. Additionally, agreements regarding the District's governance and management will be prepared in consultation with and for consideration by the Partners.

Specifically, this phase of District development includes:

- Completing architectural schematic design and design development drawings;
- Completing the detailed programming effort;
- Commencing with interior finish-out work;
- Coordinating area utility needs;
- Creating early demolition, utility/excavation, and garage footing/foundation construction packages for bidding purposes;
- Developing an RFP and process for selecting a construction firm;
- Continuing with programming refinements, including an update to the area traffic study and further analysis to develop more optimal transit connections;
- Accelerating community engagement efforts;
- Refining project cost estimates;
- Developing governance and operating agreements;
- Developing operation and activation plans and budgets; and
- Commencing site preparation, including demolition and environmental mitigation as needed.

To take these next steps, the City needs to approve addenda to agreements with LFA and GTS so that both firms may continue with their planning and development work, which are scheduled for Council consideration subsequent to this briefing.

If approved, staff will return to the Council for consideration and approval of:

1. A contract for demolition services;
2. The construction budget;
3. Construction firm selection; and
4. Contract extensions for remaining design, development, and management services.

Funding Sources and Uses

As with any large initiative, sources and uses of funds evolve as the project's capital and operational scope and revenue projections are refined. District planning has always contemplated a phased approach to allow for the City Council to evaluate next steps throughout preconstruction activities.

Central to this evaluation is consideration of the short- and long-term impacts of COVID-19 on the City's 1% TRT. The City has set aside TRT revenues from the last few years, resulting in a positive fund balance ahead of anticipated expenditures. The pandemic has caused a reduction in TRT revenue estimates for fiscal year 2019-2020 through 2024-2025, which reduces the funding flexibility initially built into the plan for District funding in terms of both construction and operations. The City is approaching estimates conservatively at this point by not projecting a return to pre-COVID revenue levels until mid-2024.

Cash and bond proceeds issued against the 1% TRT revenue stream are the primary funding sources for pre-development planning and design. Sources for the actual construction of the District include:

- The City's TRT;
- Future proceeds from the sale of property to KAC and SI;
- Transit and transportation-related funds for the transit-related portion of the project;
- Proceeds from the voter-approved walkability bonds to strengthen connections in and around the District and resolve major connectivity gaps between several community walkways and trails;
- Funds related to affordable housing, including the City's Lower Park Avenue Redevelopment Area's housing pipeline funds (for land and 20% of the construction costs) and a Park City Housing Authority Rent Revenue Bond (for the remaining 80% construction); and
- Capital improvement funds as identified in the Capital Improvement Plan for related infrastructure projects, such as power line relocation, water and sewer line upgrades, and traffic management improvements.

The following are factors that could affect the project's planning and development schedule:

- Transit and Housing funds transfer some funds by summer 2021;
- KAC and SDI purchase land from the City by summer 2022;
- A second TRT bond is issued in late 2022;
- TRT revenues regain pre-COVID levels by FY26;
- The District requires an operating subsidy of ~\$250,000 annually; and
- The transit revenue gap is filled, or project cost reduced, or phased (see below).

Currently, there is a funding gap of approximately \$5 million associated with the construction of the transit-related facilities. Staff anticipates addressing this shortfall by securing funding that has a transit nexus within the next two years and at the same time refining the design to reduce or stage estimated expenses in a manner that allows for flexibility of the use of the underground transit space.

Staff have also identified additional potential sources for construction-related funds if needed in the future, including capital funds, the additional resort sales tax, and property tax increment that could be sourced by the creation of a new Community Reinvestment Area.

The estimated share of costs borne by the City for the planning, development, construction, and opening of the District is \$69.8 million, excluding powerline and/or substation relocation, road reconstruction, and other improvements outside the District boundaries where separate funding sources have been at least preliminarily identified. (See Attachment C – Construction Estimate.) This number includes significant contingencies (approximately \$14.3 million) while staff and GTS, in coordination with LFA and MHTN (LFA's local subcontractor) continues to evaluate estimated expenses.

Roughly \$18 million is for affordable housing, and approximately \$8 million is budgeted for transit infrastructure.

See Attachment D for details on sources and uses of funds for the District through construction.

Timeline

The following are major timeline elements for the District's development moving forward:

- Submit the MPD application – July 2020
- Council consider contract for demolition services – September 2020
- Commence demolition – November 2020
- Council consider contract for construction services – November 2020
- Commence footings and foundation construction – April 2021
- Commence above-ground construction – June 2022
- Opening – November 2023

See Attachment E for current timeline estimates and project workflow.

Related Project and Issues

As District development progressed, City staff and the design and development teams are addressing a number of related issues, including:

- How transit will best serve the District (and the District serve transit) from a regional perspective;
- Active transportation connectivity in the Iron Horse/Bonanza Park/Prospector area;
- Regional traffic and parking considerations;
- The relationship between the City's Homestake parcel, the District, and the development of other adjacent properties;
- The potential to underground power lines and/or relocate the electricity substation in the area;
- Economically viable options for mitigating contaminated soils; and
- Complimentary street designs for Munchkin Road, Homestake Road, and Woodbine Avenue.

Attachments

- A. July 2017 Press Statement
- B. RFP for Arts and Culture District Mixed-Use Development Architectural and Engineering Design Services
- C. Construction Estimate
- D. Fund Sources and Uses
- E. Construction Timeline