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## SALT LAKE CITY COUNCIL STAFF REPORT

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**DATE:** June 27, 2003

**SUBJECT:** **INDUSTRIAL DEVELOPMENT REVENUE BOND  
SPRING AIR MOUNTAIN-WEST**

**AFFECTED COUNCIL DISTRICTS:** District 3

**STAFF REPORT BY:** Gary Mumford

**ADMINISTRATIVE DEPT.  
AND CONTACT PERSON:** Community and Economic Development  
Luann Clark

**CC:** Rocky Fluhart, David Nimkin, Alison Weyher, David Dobbins, LuAnn Clark,  
Bob Gore, Ed Rutan, Chris Bramhall, Dan Mulé, DJ Baxter

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The Council will hold a public hearing on July 1, 2003 for the purpose of considering a bond resolution approving of the issuance of Industrial Development Revenue Bonds for the Spring Air Mountain-West project. The bond proceeds will be used to finance the expansion, renovation and equipping of Spring Air Mountain-West's mattress manufacturing facility located at 402 West 300 North. The project will consist of renovation of the existing building, the construction of a new addition on the north side of the current building, and acquisition of new equipment to be used in the mattress manufacturing process.

The bonds will not constitute a debt, liability or general obligation of the City. The purpose of the public hearing will be to provide an opportunity for members of the public to express their views regarding the issuance of the bonds.

### **RECOMMENDED MOTION**

Council staff recommends that the City Council consider adopting the resolution authorizing and approving the issuance of industrial development revenue bonds. The Council may wish to consider the following motion:

["I move that the Council"] **Adopt the resolution authorizing and approving the issuance of industrial development revenue bonds, series 2003 relating to the Spring Air Mountain-West project, authorizing the execution, delivery and performance of an indenture, a loan agreement, a bond purchase agreement and other documents relating to the 2003 bonds, and authorizing and directing that other necessary and appropriate actions be taken in connection with the 2003 bonds.**

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The following information was provided previously.  
It is provided again for your reference.

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Spring Air Mountain-West, Inc., located in Salt Lake City at 402 West 300 North, is requesting that the City issue industrial development revenue bonds in an amount not to exceed \$4,600,000 to help the company finance expansion and modernization of its manufacturing facility. Repayment of the bonds will be the responsibility of Spring Air Mountain-West. The bonds will not be considered an obligation of the City.

Spring Air Mountain-West has finalized its direct-pay letter-of-credit with U.S. Bank to guarantee repayment of the bonds. Under this direct-pay letter-of-credit, U.S. Bank will make the bond repayments regardless of whether Spring Air Mountain-West is financially able to reimburse the bank.

The IRS has set a “volume cap” for each state (\$150 million per year for Utah) for entities issuing industrial development revenue bonds or private activity bonds. (Providers of health care or educational services are not subject to the volume cap.) The Utah Legislature has established priorities for allocating the volume cap with most going to the Utah Housing Finance Agency for first-time single-family homeowners or to college student loan programs. On January 8, 2003, the Utah Private Activity Bond Authority authorized up to \$4,455,000 for industrial revenue bonds subject to City Council approval and issuance. This authorization was valid for 90 days. Spring Air Mountain-West received an extension that is valid until July 10<sup>th</sup>.

## **CHRONOLOGY:**

- January 3, 2003** – Spring Air Mountain-West submitted an application requesting Salt Lake City to act as a conduit issuer of industrial revenue bonds.
- January 8, 2003** – The Utah Private Activity Bond Authority authorized up to \$4,455,000 for industrial development revenue bonds subject to approval and issuance by a local government. The allocation was valid for 90 days. The authorization was later extended until July 10, 2003. Spring Air Mountain-West will apply for another extension in case there are any delays in closing the sale of the bonds.
- January 24, 2003** – The City’s Small Business Revolving Loan Fund Committee reviewed the application and approved it to be forwarded to the Mayor and City Council.

**February 7, 2003** – The Council discussed the application from Spring Air Mountain-West at its work session. Council Members were generally supportive of issuing the bonds.

**February 18, 2003** – The Council adopted a resolution giving preliminary approval for the issuance of the bonds.

**March 11, 2003** – The Council held a public hearing. No one spoke at the hearing. Bond counsel notified Council staff that the advertising didn't make all necessary disclosures.

**June 10, 2003** – The Council received a follow-up briefing on the bond request. The Council set the date for another public hearing.