

DATE: January 7, 2011

ITEM: 7.B.

RE: CONSIDERATION AND ADOPTION OF A “RESOLUTION OF THE BOARD OF DIRECTORS OF THE REDEVELOPMENT AGENCY OF SALT LAKE CITY APPROVING THE TERMS FOR A LOAN WITH WOODMEN PROPERTIES PARKING GARAGE L.L.C. FOR THE CONSTRUCTION OF A MIXED-USE PROJECT ON A PARCEL LOCATED AT 2120 SOUTH 1300 EAST.”

PROJECT AREA: Sugar House Project Area

PREPARED BY: Valda E. Tarbet

EXECUTIVE SUMMARY: Woodmen Properties Parking Garage L.L.C. (“WP”), a wholly-owned subsidiary of Woodbury Corporation, has requested a \$3,550,000 Construction Loan and long-term financing to partially finance the construction of a parking structure associated with development of Westminster student housing and academic and retail space on an adjacent parcel. The project has been submitted and approved by the community and City for the development of 164 beds of student housing, approximately 15,000 square feet of academic space, approximately 8,000 square feet of retail/commercial space, and a 292 -stall parking structure. Board members will be asked to review and make a decision about proceeding with the loan.

ALTERNATIVES:

1. Adopt the resolution approving the terms for a \$3,550,000 loan to Woodmen Properties Parking Garage LLC.
2. Do not adopt the resolution.

FUNDING: Revolving Loan Fund - \$3,550,000

LOAN COMMITTEE RECOMMENDATION: The Loan Committee met on Wednesday, December 1st and recommended approval of the loan. They discussed at length the issue of the debt coverage ratio and collateral for the loan. They felt that the public good of encouraging the development of structured parking in the Sugar House Business District, and the fact that additional collateral will guarantee the repayment of the loan were reasons to recommend approval of the loan.

ANALYSIS AND ISSUES: The attached site plan shows the location of the project in relation to the gas station to the north and the Draw at Sugar House to the south. The Agency would be lending only on the parking structure and the residential building will be financed by a private lender. Each lender would have a first position Trust Deed on the respective land and buildings.

Total construction of the parking structure is estimated to cost \$6,025,008. WP will contribute the land plus slightly more than \$1.5 million as an equity contribution and fund the cost of any change orders issued during the construction phase. The Agency's loan would be for the balance of the construction cost in an amount not to exceed \$3,550,000.

WP has negotiated a lease with Westminster College for residential and academic space along with approximately 51% of the parking structure. The remainder of the parking structure will be used to support the retail/commercial and academic space. WP has also been in conversations with other adjacent property owners who are interested in entering into long-term leases for some of the additional stalls. The remainder of the stalls will be available for transient parkers from the community.

WP is anticipating starting construction in the spring of 2011 with completion in the summer of 2012. A portion of the Sugar House Park Draw project will also be started at the same time. Because of the complexity of this project, the construction of the mixed-use building will begin first, with construction of the parking structure commencing approximately six to eight months later. This complicates negotiations between the lenders because unlike a typical loan scenario, RDA funds will be among the last dollars invested in the project. Nevertheless, we are considering a structure whereby the Agency would deposit the principal amount of its loan into an escrow account until such time as it is needed, and then the funds would be disbursed subject to an Intercreditor Agreement. In addition, a third party construction manager would be placed under contract to authorize construction draws.

The loan analysis for this project is also complicated. This would be the first paid parking structure in the Sugar House District. Revenue estimates from the residential, academic, and adjacent property owner are fairly predictable, but only cover 70% of the Agency's debt service. In order to address this issue, staff is suggesting that we offer a 2% construction loan, and following completion of the project a 0% loan for the first five years with the remaining balance amortized over 15 years at a 2% rate. The five-year 0% loan should allow the project to get to a stabilized income stream although the cash flow is not projected to cover the expenses and debt services.

An appraisal has been ordered and is expected shortly. For the loan to value analysis, staff assumed that the assessed value will come in at 80% of the construction cost. This conservative number results in an 80% loan to value ratio which meets the Agency requirements.

The Agency will take a first trust deed on the parking parcel. In addition, the principals of Woodbury Strategic Partners Fund L.C. will guaranty completion of construction and repayment

of the portion of the Loan necessary to achieve a 1.25 Debt Service Coverage Ratio for the parking structure.

This project presents a set of unusual circumstances that justify the loan terms being offered. These circumstances include:

- There is a public good in providing the structured and paid parking in the Sugar House District. This project will pave the way for future moderate density mixed-use projects in Sugar House. .
- The terms support a residential project that will bring Westminster College students into the Sugar House Business District who will support the existing retail and commercial projects.
- The project includes parking for individuals who wish to bike on the Parley's Trail.
- The project has offered beneficial parking terms to the Redman Building owners. This parking would make the Redman Building viable for its proposed uses.
- The developer has agreed to initially charge a \$1.00 per hour transient parking rate which is equal to the parking meter rate in the CBD.
- The personal guarantees of members of the Woodbury Strategic Partners Fund minimizes the financial default risk to the Agency.
- The developer has agreed to guarantee the principal amount of the loan necessary to cover a 1.25 debt coverage ratio rather than the typical 1.1.
- The developer is initially providing a 42% cash equity contribution for construction of the parking structure, and will fund 100% of all change orders.
- This project would qualify for our tax-increment reimbursement program, but the imminent sunset of the project area will make it impossible for the project to realize a meaningful benefit from the program.

WP will have 90 days following the RDA Board's approval to meet the above conditions or the Agency's approval shall expire. Any funds not disbursed 18 months after closing will be used to pay outstanding interest and principal from the Agency's loan.

Staff and representatives of Woodmen Properties Parking Garage L.L.C. will be at the meeting to discuss the project and answer questions.

- ATTACHMENTS:**
1. Draft Resolution and Term Sheet
 2. Westminster Sugar House Mixed-Use Site Plan

RESOLUTION NO. 688.____

January 11, 2011

RESOLUTION OF THE BOARD OF DIRECTORS OF THE REDEVELOPMENT AGENCY OF SALT LAKE CITY APPROVING THE TERMS FOR A LOAN WITH WOODMEN PROPERTIES PARKING GARAGE LLC FOR THE CONSTRUCTION OF A MIXED-USE PROJECT ON A PARCEL LOCATED AT 2120 SOUTH 1300 EAST

WHEREAS, the Redevelopment Agency of Salt Lake City (“Agency”) was created to transact the business and exercise the powers provided for in the Utah Community Development and Renewal Agencies Act; and

WHEREAS, the Agency adopted the “Sugar House Neighborhood Development Plan” on September 19, 1986; and

WHEREAS, the Agency has a New Construction Loan Program, and

WHEREAS, the Woodmen Properties Parking Garage LLC has applied for a \$3,550,000 loan to build a parking structure in conjunction with an adjacent building that would provide Westminster College student housing, retail, and Westminster College academic space; and

WHEREAS, the Agency desires to promote the construction of structure parking in the Sugar House Project Area and wishes to build on the relationship between Westminster College and the Sugar House Business District; and

WHEREAS, Woodmen Properties Parking Garage LLC has agreed to provide additional security for the loan to provide security for the parking structure cash flow shortfall.

NOW, THEREFORE BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE REDEVELOPMENT AGENCY OF SALT LAKE CITY, that the Board of Directors does hereby approve a 90-day commitment to fund a loan in an amount not to exceed \$3,550,000 to Woodmen Properties Parking Garage LLC subject to the conditions and in accordance with the terms contained in the attached Term Sheet.

BE IT FURTHER RESOLVED, that the final deal terms shall be approved by the Board and shall incorporate such terms recommended by the Agency’s legal counsel.

Passed by the Board of Directors of the Redevelopment Agency of Salt Lake City, this 11th day of January, 2011.

Luke Garrott, Chair RDA Board of Directors

ATTEST:

DJ Baxter, Executive Director

Transmitted to the Chief Administrative Officer on _____. The Chief Administrative Officer

_____ does not request reconsideration

_____ requests reconsideration at the next regular Agency meeting.

Ralph Becker, Chief Administrative Officer

ATTEST:

DJ Baxter, Executive Director

Approved as to form: _____
Fabian and Clendenin

Term Sheet
2120 South 1300 East, Woodmen Properties Parking Garage L.L.C.

Amount: A loan in an amount not to exceed \$3,550,000.

Purpose & Project Description: Construction loan and long term loan to build a 292-stall parking structure associated with an adjacent building that will include 164 rooms of Westminster College student housing, 15,000 square feet of academic space for Westminster College, and 8,000 square feet of retail/commercial space (the “Building”), acknowledging that any of the foregoing numbers may vary by up to 5% separately and not in the aggregate.

Borrower: Woodmen Properties Parking Garage L.L.C.

Guarantors: John Miller, Jonathan Bullen, Jeffrey K. Woodbury and W. Richards Woodbury shall guaranty completion of construction and repayment of the portion of the Loan necessary to achieve a 1.25 Debt Service Coverage Ratio (“Required Ratio”).

Equity: No less than 37% equity of Borrower, plus the amount of all change orders approved during the construction of the Parking Garage.

RDA Loan: No more than 63% of the cost of the Parking Garage

Term: A maximum of 260 months to cover both construction and long-term financing.

Interest Rate: 2% per annum during construction and following the initial 5 year interest-free period. Default rate at 18%.

Repayment: Interest will be accrued on the construction draws during the construction period at the rate of 2% per annum. Following completion of construction and upon issuance of a Certificate of Occupancy or July 31, 2012 (whichever comes first), Borrower will make principal only payments calculated by adding the total principal plus interest accrued prior to issuance of the Certificate of Occupancy, dividing that number by 20 and making annual payments of 1/20 of such amount for five (5) consecutive years. At the end of the fifth year, the remaining unpaid principal balance and construction interest will be amortized over fifteen (15) years at a 2%

interest rate and paid over the remaining fifteen (15) years of the loan term.

- Collateral:**
1. First lien priority secured against the land and building associated with the parking structure.
 2. Assignment of permits, contracts, applicable rents and a security interest in applicable FF&E.
 3. Completion guaranty ensuring completion of construction from John Miller, Jonathan Bullen, Jeffrey K. Woodbury and W. Richards Woodbury in form and content satisfactory to the Agency's legal counsel.
 4. Guaranty by John Miller, Jonathan Bullen, Jeffrey K. Woodbury and W. Richards Woodbury of an amount sufficient to achieve the Required Ratio in a form acceptable to Agency's legal counsel.

Funding: Funds will be disbursed once all terms and conditions of this loan have been satisfied in the sole discretion of Agency. Borrower will provide Agency, or its agent, with verification of work completed prior to disbursement of loan proceeds. Borrower will provide Agency with a copy of certificates of occupancy. Disbursement will be subject to the terms of an Intercreditor Agreement and related Escrow Agreement.

Conditions: The Agency shall be under no obligation to close the loan and to fund until the following conditions have been met:

1. Borrower shall provide an appraisal indicating that the loan meets the Agency's 95% LTV requirement.
2. John Miller, Jonathan Bullen, Jeffrey K. Woodbury and W. Richards Woodbury will provide guarantees with terms approved by the Agency's legal counsel to ensure repayment of the loan in an amount necessary to satisfy the Required Ratio.
3. The execution of loan documents (e.g., promissory notes, loan agreements, security documents, and guarantees) as deemed necessary by the Agency and its legal counsel.
4. Borrower, the residential lender for the Building, and Agency shall enter into an Intercreditor Agreement outlining the terms and conditions for construction of the Building and the Parking Garage, disbursement of loan proceeds for both buildings, and the relationship among the parties and the construction of the project. Agency loan proceeds will be deposited into a separate account at Wells Fargo Bank to be disbursed by Wells Fargo pursuant to the Intercreditor Agreement.

5. Borrower shall provide evidence of insurance covering public liability, fire, and such other insurance in such amounts and with such coverage as deemed necessary by the Agency for both the property and the collateral.
6. All taxes and any assessments that are due and payable affecting the property or the collateral shall have been paid and discharged in full.
7. The Agency shall have been furnished at Borrower's expense an ALTA lender's title policy including such endorsements as may be required by the Agency, issued by First American Title Insurance Company through Landmark Title Company, its agent, or another title insurance company approved by the Agency. Such title insurance shall insure the Agency as a holder of a senior mortgage lien, free from any exceptions except those approved by the Agency or its legal counsel.
8. The Agency's and its legal counsel's review and approval of all matters pertaining to title and the legality, sufficiency, and the form and substance of all documents that are deemed reasonably necessary for the loan transaction.
9. The Deed of Trust shall contain a due on sale clause requiring payment in full of the indebtedness in the event of a transfer of the collateral.
10. Such other terms as recommended by the Agency's legal counsel.
11. WP shall pay closing costs, including the Agency's legal fees not to exceed \$20,000. Borrower may use loan proceeds to pay closing costs.
12. Proof that no material or adverse changes have occurred in the finances, business, operations, affairs or prospects of Borrower, or the condition of the Property.

Closing Costs: Borrower shall pay all closing costs, including the Agency's legal fees not to exceed \$20,000.

Miscellaneous:

1. The Agency, by making this commitment or taking any action hereunder, will not be deemed to be a partner or a joint venturer with Borrower, and Borrower will be required to indemnify, hold harmless and forever defend the Agency from any and all damages arising out of any claim that this commitment of loan constitutes a partnership or joint venture between Borrower and Lender.
2. In the event the loan is granted Borrower will not discriminate on any unlawful basis in the sale, lease, rental, use, or occupancy of the Property. The Agency shall be deemed to be a beneficiary of these provisions both for and in its own right, and also for the purpose of protecting the interests

of the community and other parties, public or private, in whose favor or for whose benefit these provisions have been provided, and shall have the right, in the event of any breach or default of these provisions, to maintain any actions at law or in equity or any other proper proceedings.

3. The Agency has made no representation or warranty with respect to the compliance of the Property with applicable zoning and use regulations, the ability of Borrower to obtain any necessary governmental approvals and permits and that the Agency's approval of this Application will not constitute the agreement of the Agency to assist Borrower in obtaining any of the foregoing.

4. Notwithstanding anything herein to the contrary, Borrower will be liable for a material misstatement in any information provided by Borrower to the Agency in connection with the loan, and in the representations and warranties Borrower makes in the loan documents.

5. Agency shall have approval of material construction change orders, and all change orders shall be paid by Borrower as an equity contribution.

Expiration:

This commitment shall expire on April 15, 2011.

