

January 11, 2011

**ITEM#:** 7.C.

**RE:** CONSIDERATION AND ADOPTION OF RESOLUTION OF THE BOARD OF DIRECTORS OF THE REDEVELOPMENT AGENCY OF SALT LAKE CITY APPROVING THE FIRST AMENDMENT TO THE AMENDED AND RESTATED PARTICIPATION AND REIMBURSEMENT AGREEMENT WITH GATEWAY ASSOCIATES

**PROJECT AREA:** Depot District

**PREPARED BY:** Valda E. Tarbet

**EXECUTIVE SUMMARY:** The Board of Directors adopted the Amended and Restated Participation and Reimbursement Agreement in May 2006. Because of the purchase by the City of the North Temple right-of-way property, the agreement needs to be amended to reflect that this property is no longer subject to the Participation and Reimbursement Agreement.

Staff is also providing information for the Board's consideration to remove the Relocated Retail Reduction provisions of the Agreement.

**FUNDING:** The ninth payment to Gateway Associates was included in the 2010/2011 Annual Implement Budget for Depot District and is due on or before March 31, 2011.

**ALTERNATIVES:**

- 1) Adopt the resolution as presented.
- 2) Do not adopt the resolution.
- 3) Adopt the resolution without the removal of the Relocated Retailer Reduction.

**ANALYSIS AND ISSUES:**

**Phase II Site Plan and Easements.** The Participation and Reimbursement Agreement with Gateway Associates included as part of the Phase II development the land under the North Temple Viaduct. Gateway Associates would have been eligible to receive a reimbursement of tax increment funds for development that occurred under the viaduct.

The reconstruction of the North Temple Viaduct and purchase from Gateway Associates of the land under the viaduct requires that the Agency amend the Amended and Restated Participation and Reimbursement Agreement. Gateway Associates has requested that the RDA prepare and record, if necessary, amendments to the Participation and Reimbursement Agreement and those easements that are affected by the sale of the North Temple property.

If the resolution is approved, RDA legal counsel will prepare the necessary amendments for execution by the Chief Administrative Officer and Executive Director.

**Relocated Retailer Reduction Provision**. The Amended and Restated Participation and Reimbursement Agreement provides for Conditions to Tax Increment Generated from Retail Development. Section 4.4c states that Project Tax Increment from space leased to Relocated Users prior to December 31, 2004 from the Greater Main Street Area or from Trolley Square is not payable to Gateway.

Seven retailers originally moved or curtailed operations from these two areas during the initial three years of Gateway's operation: Bastille, Bombay Company, Copper Rivet, Express, Fortier, Gymboree and Lane Bryant. Since that time, the following stores have closed or sold their stores at Gateway and are no longer subject to the reduction: Copper Rivet (closed its store in Gateway in May 2005); Bombay (closed its store in January 2007); and Fortier (sold its business in 2007).

The property tax applicable to the remaining retailers subject to the Relocation Retailer Reduction (Bastille, Express, Gymboree, and Lane Bryant) for calendar year 2010 is \$51,083. In the Depot District, the Agency collects 75% of the tax increment, and, under our Reimbursement Agreement, we would refund to Gateway 50% of what we collect, or 37.5% of the total increment associated with these retailers. This amount equals \$19,156. If the reduction is approved, the amount of total Project Tax Increment payable to Gateway this year will be reduced by \$19,156, which is the amount associated with the relocated retailers.

The Board waived the 2006, 2007, 2008, and 2009 Relocated User Reduction because of the business interruption caused by the construction of the TRAX extension to the intermodal hub. These were "one-time" waivers, though there have been some discussions about permanently removing the Relocated User Reduction requirement from the Reimbursement Agreement.

During the last year, the leasing agents for City Creek Center have been actively soliciting Gateway retail tenants. To date, three tenants have not renewed leases at Gateway, and will be moving to City Creek at the end of the current lease period. These tenants lease 22,213 square feet compared to the 16,957 square feet occupied by Relocated Retailers. Given the changes in the leasing environment, and the opening of City Creek Center, the Board may wish to consider permanently removing the Relocated Retailer Reduction provision of the reimbursement agreement.

The estimated property taxes paid for the 2010 tax year by the project were \$4,412,187 resulting in a reimbursement of Project Tax Increment payable to Gateway of \$1,654,570. This reimbursement was included in the adopted 2010/2011 budget and would be reduced by the Relocated Retailer Reduction if this part of the proposed changes is not approved.

Staff will be prepared to answer questions about both these proposed changes.

**BACKGROUND:** The Gateway Associates Participation and Reimbursement Agreement was amended six times between the initial signing in December 1998 and May 2006. In May 2006, the Board approved Amended and Restated Participation and Reimbursement Agreement which replaced the original Agreement and six amendments and included only those requirements that remain to be completed or administered during the remaining life of the Agreement.

In November 1998, the Board of Directors approved the Participation and Reimbursement Agreement between the Agency and Gateway Associates. The Participation Agreement described the terms under which Gateway Associates could receive reimbursements for parking stalls related to the housing units; right of way improvements along 100 South, 200 South, 500 West, and Rio Grande street extension; the construction of a public plaza, and renovation of the historic Union Pacific Depot. The Agreement also contained provisions of reduction of the reimbursements if retailers from the Greater Main Street Area or Trolley Square relocated to Gateway prior to December 31, 2004.

**ATTACHMENTS:** Draft Resolution.

RESOLUTION NO. 688.\_\_\_\_

January 11, 2011

RESOLUTION OF THE BOARD OF DIRECTORS OF THE REDEVELOPMENT AGENCY  
OF SALT LAKE CITY APPROVING THE AMENDED AND RESTATED PARTICIPATION  
AND REIMBURSEMENT AGREEMENT WITH GATEWAY ASSOCIATES

WHEREAS, the Redevelopment Agency of Salt Lake City was created to transact the business and exercise the powers provided for in the Utah Neighborhood Development Act; and

WHEREAS, Salt Lake City (the "City") approved a Gateway District Master Plan on August 11, 1998, with the goal of creating an urban neighborhood; and

WHEREAS, the Agency adopted a Depot District Redevelopment Project Area Plan ("Plan") and Depot District Project Area Budget ("Budget") on October 15, 1998 so that it would have the authority to invest tax increment generated by the Depot District Redevelopment Project Area (the "Project Area") within the Project Area to implement the City's Gateway District Master Plan and encourage redevelopment to occur; and

WHEREAS, on November 12, 1998, the Agency established a Housing Urban Design Tax Increment Reimbursement Program, a Public Infrastructure Tax Increment Reimbursement Program, a Public Use Area Tax Increment Reimbursement Program, and an Historic Preservation Tax Increment Reimbursement Program (collectively the "Programs"), all to be implemented within the Project Area; and

WHEREAS, Gateway Associates, Ltd., has acquired the railyards behind the Union Pacific Depot from Union Pacific Railroad within the Project Area and Gateway Associates, Ltd., has committed to build a mixed-use development on the blighted and underused Union Pacific railyards; and

WHEREAS, on November 19, 1998, the Agency approved Resolution No. 487.02 approving the execution of the Participation and Reimbursement Agreement between the Agency and Gateway Associates Ltd. ("Agreement") and the Housing Restriction and Easements attached to the Agreement to implement the Programs and to cause the redevelopment of the railyards to occur; and

WHEREAS, on September 16, 1999, on December 23, 1999; on June 13, 2000; on January 25, 2001, on November 14, 2002, October 14, 2003, and on April 15, 2005 the Agency and Gateway Associates Ltd. have approved amendments to the Participation and Reimbursement Agreement; and

WHEREAS, on May 9, 2006 the Agency and Gateway Associates Ltd. have approved the Amended and Restated Participation and Reimbursement Agreement; and

WHEREAS, the Agency and Gateway Associates Ltd. have negotiated an amendment to

the Amended and Restated Participation Agreement to address changes with regard to purchase of North Temple by Salt Lake City Corporation, and the removal of the Relocated Retailer Reduction provisions.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE REDEVELOPMENT AGENCY OF SALT LAKE CITY, that the Board does hereby approve and authorize the Chief Administrative Officer and Executive Director to execute the First Amendment to the Amended and Restated Participation and Reimbursement Agreement and amendments to easements that have been changed due to the purchase of North Temple by Salt Lake City, and the removal of the Relocation Retailer Reduction provisions, subject to minor modifications as recommended by the Agency's legal counsel.

Passed by the Board of Directors of the Redevelopment Agency of Salt Lake City, Utah, this 11<sup>th</sup> day of January, 2011.

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Luke Garrott, Chairperson

ATTEST:

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D.J. 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:

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D. J. Baxter, Executive Director

Approved as to form by legal counsel:

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Jones Waldo Holbrook & McDonough