

DATE: February 2, 2011

ITEM: 7.A.

RE: CONSIDERATION AND ADOPTION OF A RESOLUTION OF THE BOARD OF DIRECTORS OF THE REDEVELOPMENT AGENCY OF SALT LAKE CITY APPROVING AN AMENDMENT TO THE PURCHASE AND SALE AGREEMENT WITH TANNACH PROPERTIES L.L.C. FOR THE DEVELOPMENT OF AGENCY OWNED PROPERTY LOCATED AT 237-255 SOUTH STATE STREET AND 241 AND 247 FLORAL STREET.

PROJECT AREA: Central Business District

PREPARED BY: Matt Dahl

EXECUTIVE SUMMARY: In July 2010, the Redevelopment Agency of Salt Lake City (RDA) and Tannach Properties LLC (Tannach) executed a Purchase and Sale Agreement (the "Agreement") for the Development of Agency owned property located at 237-255 South State Street and 241 and 247 South Floral Street (the "Property"). In November, Tannach requested, and the RDA Board approved, an amendment to the Purchase and Sale Agreement that would modify the schedule for closing on the acquisition of the Property. Due to a delay in negotiating the financing for the project, Tannach is requesting an additional extension in order to complete the requirements for closing and secure all necessary financing for the project.

REDEVELOPMENT ADVISORY COMMITTEE RECOMMENDATION: The Redevelopment Advisory Committee (RAC) passed a motion recommending that the RDA Board approve Tannach's request to extend the deadline for the submittal of Final Construction Documents, and to change the outside closing date.

ALTERNATIVES: 1) Approve the resolution.
2) Do not approve the resolution.

ANALYSIS AND ISSUES: The Agreement outlined the requirements for the sale and development of the Property. Included in the requirements were terms that were derived from Tannach's development proposal and the project's approved basic design.

Tannach's proposal for the development of the Property includes the restoration of the front and back facades of the Regis and Cambridge Hotels, with the remainder of the buildings being completely gutted and built as new with an additional four floors. The northern buildings will be razed and a new ten-story multi-family apartment building will be constructed in their place. The entirety of the development's ground floor will be used as commercial space, including the reconstructed Rex Theater. Levels two through seven will connect the new building and the

renovated space, allowing market rate and income targeted units to be located throughout the development.

Included in the Agreement were deadlines for submission milestones that would culminate with the closing on the sale of the Property. The milestones addressed the design, financing, and agreements that need to be completed prior to closing. To date, Tannach has submitted a subdivision plan to the RDA for review, and brought the project design through the Design Development (60% complete) stage, with the inclusion of recommendations from the Design Review Committee. Tannach has also obtained preliminary funding approval from the Private Activity Bond Authority and the Olene Walker Housing Trust Fund. In the last week of January, Tannach received a proposal for syndication services from Stratford Capital Group covering \$5.9 million of the development costs. In February, Tannach will also be applying for a \$650,000 loan from the Salt Lake City Housing Trust Fund. An approval of the loan from the City should be the final piece of the financing package for the project.

Tannach is currently behind schedule for submitting the City approved Subdivision Plat and the Final Construction Documents to the RDA. The delay in the submittal of these items is a result of Tannach's decision not to proceed with the project engineering until they were confident that they would receive approval for the necessary project financing. Based on these delays, and the continued efforts to get approval for the final sources of project financing, Tannach anticipates that they will not be able to close by the current outside closing date of March 31, 2010. Therefore, Tannach is requesting that the Subdivision and Final Construction Documents submission deadlines be changed from December 31, 2010 to April 30, 2011 and that the Outside Closing Date be moved from March 31, 2011 to May 31, 2011.

If the requested extension is approved:

- Tannach will return to compliance under the Agreement.
- Tannach will have an additional two months to finalize the financing package for the project and prepare the contracts for demolition, asbestos remediation, and construction.
- Construction would begin no later than June 3, 2011.

If the Board does not approve the requested extension:

- Tannach will remain in default on the submission of the Subdivision and Final Construction Documents.
- It is likely that Tannach will not be able to close by the current Outside Closing Date. If Tannach fails to close, or fails to cure their current defaults by the end of the cure period, the Agreement will terminate.
- If the Agreement terminates, the RDA may remarket the Property.

BACKGROUND:

- Staff marketed the State Street properties from December 2007 until May 1, 2008.

No responses were submitted in response to the Request for Proposals.

- In November 2008, the Board directed staff to issue a Request for Letters of Intent for the State Street Properties.
- In May 2009, the Agency received three responses to the Request for Letters of Intent.
- In June 2009, the Agency issued a Request for Qualifications to the three firms who responded to the Request for Letters of Intent.
- On September 3, 2009, two firms responded to the Request for Qualifications
- On October 13, 2009, the RDA Board approved Resolution No. 665.02, which authorized the Agency to enter into a six-month exclusive negotiation with the La Porte Group/Tannach.
- On April 7, 2010, RAC recommended that the Board approve extending exclusive negotiations with the La Porte Group/Tannach until September 30, 2010. They also recommended that the Board approve the La Porte Group/Tannach's updated design proposal.
- On April 20, 2010, the RDA Board approved an updated version of the La Porte Group/Tannach's development proposal, and extended exclusive negotiations to September 30, 2010.
- On June 2, 2010, RAC recommended that the Board approve the Term Sheet for the purchase and development agreements.
- On June 8, 2010, the RDA Board approved Resolution 679.02, which approved the Term Sheet for the purchase and development agreements. The Term Sheet did not include a purchase price.
- On July 13, 2010 the RDA Board approved Resolution 680.01, which approved an amendment to the Term Sheet that included the purchase price for the property.
- On July 27, 2010 the Purchase and Sale Agreement for the sale of the State Street Property was executed by the RDA and Tannach.
- On October 12, 2010 the RDA Board approved Resolution 683.02, which approved an amendment to the unit income requirements included in the Purchase and Sale Agreement.
- On November 16, 2010, the RDA Board approved Resolution 685.02, which approved an amendment to the Purchase and Sale Agreement that extended the outside closing date to March 31, 2011.

ATTACHMENTS: Resolution

RESOLUTION OF THE BOARD OF DIRECTORS OF THE REDEVELOPMENT AGENCY OF SALT LAKE CITY APPROVING AN AMENDMENT TO THE PURCHASE AND SALE AGREEMENT WITH TANNACH PROPERTIES L.L.C. FOR THE DEVELOPMENT OF AGENCY OWNED PROPERTY LOCATED AT 237-255 SOUTH STATE STREET AND 241 AND 247 FLORAL STREET.

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 “C.B.D. Neighborhood Development Plan” on May 1, 1982; and

WHEREAS, the Agency owns certain property within the Central Business District Project Area and desires to redevelop it in accordance with the C.B.D. Neighborhood Development Plan; and

WHEREAS, on October 13, 2009, the Board adopted Resolution No. 665.02 authorizing the Agency to enter into a six-month exclusive negotiation period with The La Porte Group for the development of the Agency-owned property located at 235-255 South State Street and 241 and 247 South Floral Street (the “Property”); and

WHEREAS, on April 20, 2010, the Board adopted Resolution No. 677.01 authorizing the Agency to extend the exclusive negotiation period with the La Porte Group until September 30, 2010; and

WHEREAS, on June 8, 2010, the Board adopted Resolution No. 679.02 approving specific terms that were to be included in the agreements for the purchase and development of the Property; and

WHEREAS, on July 13, 2010, the Board adopted Resolution No. 680.02 approving the purchase price for the Property; and

WHEREAS, on July 27, 2010, the Agency and Tannach Properties, LLC (Tannach), an affiliate of the La Porte Group, executed a Purchase and Sale Agreement for the development of the Property; and

WHEREAS, on November 16, 2011, the Board adopted Resolution No. 685.02 amending the Purchase and Sale Agreement by extending the submission deadline for a new Subdivision Plat and Final Construction Documents to December 31, 2010 and the Outside Closing Date to March 31, 2011; and

WHEREAS, Tannach has requested to amend the Purchase and Sale Agreement to change the dates for submitting the Subdivision Plat and the Final Construction Documents to April 30, 2011 and the Outside Closing Date to May 31, 2011.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE REDEVELOPMENT AGENCY OF SALT LAKE CITY, that we do hereby approve amending the Purchase and Sale Agreement to require that Tannach submit the Subdivision Plat and Final Construction

Documents to the RDA by April 30, 2011 and to change the Outside Closing Date to May 31, 2011.

BE IT FURTHER RESOLVED, that we do hereby authorize the Chief Administrative Officer and the Executive Director to negotiate the form of an amendment to the Purchase and Sale Agreement between the Redevelopment Agency of Salt Lake City and Tannach that incorporates the changes to the submission and outside closing dates. The amendment shall also incorporate such other terms as recommended by Agency legal counsel.

Passed by the Board of Directors of the Redevelopment Agency of Salt Lake City, this 8th day of February, 2011.

Luke Garrott, Chairperson

ATTEST:

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:

D. J. Baxter, Executive Director

Approved as to form: _____
Jones, Waldo, Holbrook & McDonough, P.C.