

**DATE:** FEBRUARY 8, 2011

**ITEM:** 7.B.

**PROJECT AREA:** CENTRAL BUSINESS DISTRICT

**RE:** CONSIDERATION OF AN EXTENSION REQUEST FOR  
OLAFSON II, LLC PROPERTY ACQUISITION LOAN

**LOAN AMOUNT:** \$652,100

**PREPARED BY:** EDWARD BUTTERFIELD

**EXECUTIVE SUMMARY:** The partners of Olafson II, LLC are requesting a one year extension of their \$652,100 Property Acquisition loan for property located at 219 West 200 South. The loan was approved by the Board in January, 2009. The original loan term was for two years with quarterly interest only payments of 5%, and a balloon payment at the end of the term. The existing interest rate and quarterly interest payments would remain the same as part of the extension. The existing loan is current.

The partners are requesting the extension based on a potential development opportunity that may involve their properties at the northeast corner of 200 South and 200 West. The partners will know by the end of this year if the properties are selected for development and will move forward with their future plans for the properties accordingly.

**LOAN COMMITTEE RECOMMENDATION:** The Loan Committee recommends that the Board approve a one year extension of the Olafson II, LLC Property Acquisition Loan.

**ALTERNATIVES:**

- 1) Pass a motion approving the request for a one year loan extension
- 2) Do not pass a motion approving the request for a one year loan extension

**BACKGROUND:** Michael Martin formed Olafson II, LLC with Jaye and Eric Olafson, Malin Burnham, Bruce Morrice, Cynthia Spoor, and Douglas Howard as partners in 1999 to redevelop the Sweet Candy Building, located at 224 South 200 West, and assemble adjoining contiguous parcels for parking.

The acquisition of the 219 West 200 South is part of Olafson II, LLC's continuing efforts to assemble additional landholdings to pursue a mixed-use development on the corner of 200 South 200 West. The property contains the former Shamrock Bar, which has stood vacant since 1993. The property is in a non-collection area of the CBD Redevelopment Project Area.

The purchase price of \$652,100 was more than the County assessed value of the property. The partners recognized the difference in the purchase price and the assessed value and offered four additional parcels for collateral. The combined value of the five parcels is \$1,361,400 (County assessed value). Given the total assessed value of all parcels, the Loan-to-Value ratio is 48%. The Redevelopment Agency maintains a first lien position on all five parcels.

**SOURCE OF LOAN REPAYMENT:** Olafson II, LLC will use rental revenue generated from the Sweet Candy Building and other income generating properties to make interest payments. The annual debt service is \$32,605 (interest only payments) with a balloon payment of \$652,100 due at the end of the loan term.

**COLLATERAL:** The RDA has a first lien on four parcels in addition to the parcel acquired with the loan proceeds. The value of the parcels was determined using their Salt Lake County assessed value. Loan applicants are permitted to use the assessed value in place of an appraisal when the property has no outstanding liens. Title reports verifying clear title for each parcel were obtained.

The following adjoining parcels serve as collateral for the RDA loan:

Parcel #1 – owned by Olafson II, LLC

Address: 235 West 200 South

County Assessor Value: \$945,400

Parcel #2 – parcel acquired with loan

Address: 219 West 200 South

County Assessor Value: \$118,500

Parcel #3 – owned by Olafson II, LLC

Address: 217 West 200 South

County Assessor Value: \$33,100

Parcel #4 – owned by Olafson II, LLC

Address: 213 West 200 South

County Assessor Value: \$46,100

Parcel #5 – owned by Olafson II, LLC

Address: 218 South 200 West

County Assessor Value: \$218,300

The Agency has received a corporate guarantee from Olafson II, LLC, which has extensive assets including the Sweet Candy Building located at 224 South 200 West.

**PROPOSED LOAN TERMS:**

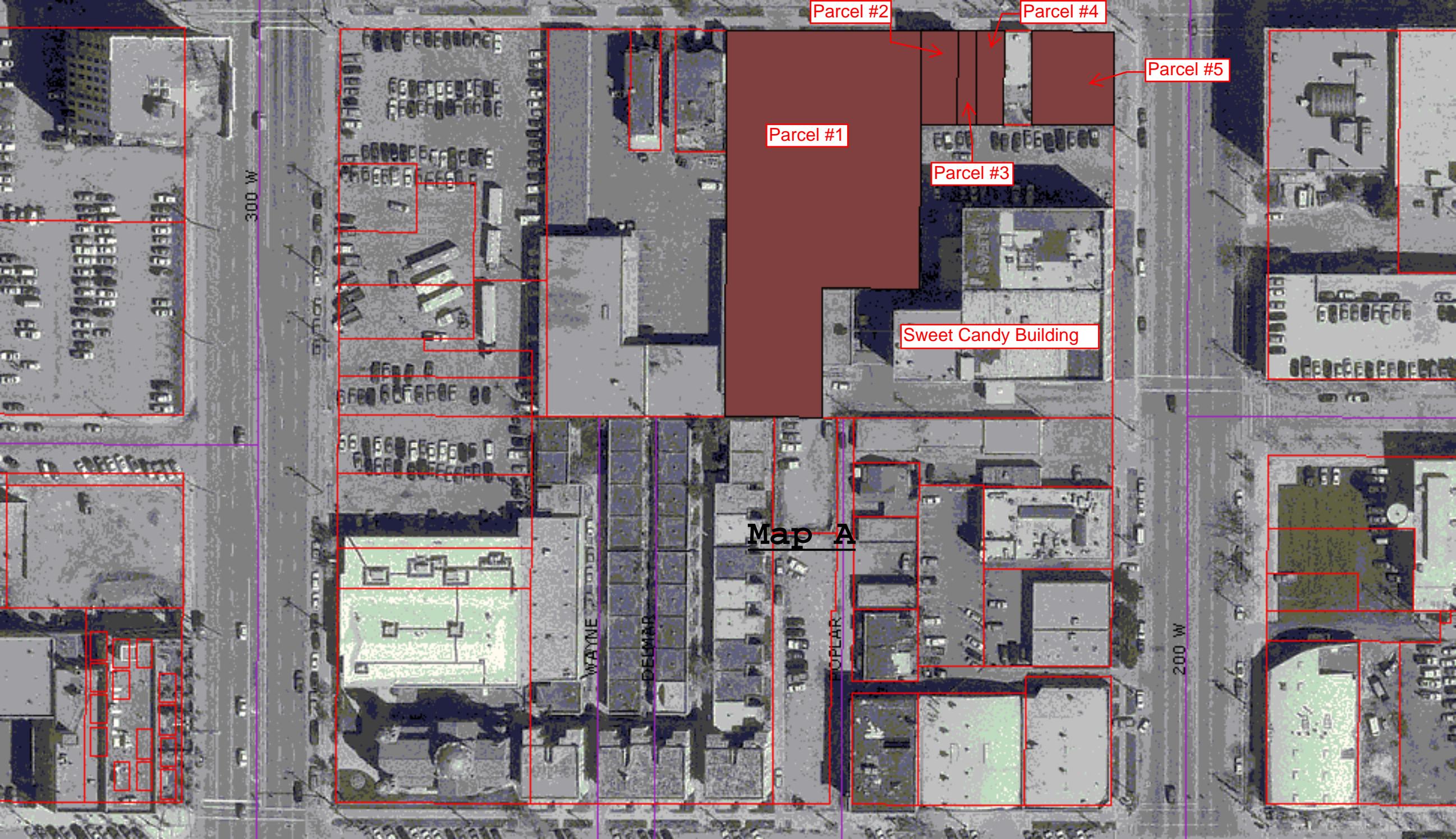
Interest Rate – 5%

Term/Balloon Payment – 1 year term, balloon payment at the end of the term

Amortization – quarterly interest only payments

**ATTACHEMENTS:**

- 1) Map A – Identifies Parcels Used for Collateral



Parcel #2

Parcel #4

Parcel #5

Parcel #1

Parcel #3

Sweet Candy Building

Map A

300 W

200 W

WAYNE

DELMAR

POPULAR