

DATE: April 12, 2011

ITEM: 7.E.

RE: CONSIDERATION AND ADOPTION OF A “RESOLUTION OF THE BOARD OF DIRECTORS OF THE REDEVELOPMENT AGENCY OF SALT LAKE CITY APPROVING THE FINAL TERMS OF 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: Justin Belliveau

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 passed a resolution approving the RDA’s proceeding with negotiating the loan terms in January, but required that the final terms be subject to the Board’s approval. The only terms that have changed since that time are: (i) the reduction of the loan amount to \$3,370,000 (plus a possible protective advance of up to \$50,000 under the Intercreditor Agreement) based on the appraised value of the project; and (ii) the requirement that the hourly rate for the public parking spaces not exceed the rate charged at a public meter within Salt Lake City. All of the loan terms and documents are now finalized, and we are requesting authorization from the Board to proceed with the execution of documents and closing.

ALTERNATIVES:

1. Adopt the resolution approving the final terms for a \$3,370,000 loan, plus a possible protective advance of up to \$50,000 to Woodmen Properties Parking Structure, LLC.
2. Do not adopt the resolution.

FUNDING: Revolving Loan Fund - \$3,420,000 (\$3,370,000 loan, plus a possible protective advance of up to \$50,000).

ANALYSIS AND ISSUES: RDA Staff have been working with WP to finalize the terms of this loan. A recently prepared appraisal indicated that the completed and stabilized value of the parking structure would be \$3,600,000, which requires a reduction in the loan amount to \$3,420,000 (\$3,370,000 principal, plus an additional protective advance of up to \$50,000) in order to comply with the conditions of the approved Term Sheet. Development of the parking structure, including land and soft costs, is estimated to be a total of \$6,761,616. At commencement of construction for the parking garage, WP will have contributed approximately \$3.39 million in equity, and will 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 \$3,370,000. The remaining \$50,000 protective advance, if required, would be matched by Wells Fargo (the lender on the mixed-use component of the project), for a total of up to \$100,000, all to be applied toward costs of construction of the parking structure following an event of a default by the developer and Wells Fargo's undertaking to complete construction of the parking structure.

At the January meeting, Board members also included as a condition of the approval of the Term Sheet that the developer agree to charge no more than the hourly rate for public paid parking in Salt Lake City for the public parking spaces within the garage during the first five years of operation. This change has been reflected in the loan documents, which are now ready for execution by the RDA.

With the exception of these two changes, the loan terms in the attached Term Sheet are consistent with those approved by the Board in January. A summary of the basic loan terms is as follows:

1. Term- 260 months
2. Rate- 2% per annum during the construction period, with a five year interest free period following the completion of construction, and followed by the amortization of the entire outstanding balance at 2% interest during the remainder of the term. No payments are to be made until completion of construction, at which time monthly principal payments are made for the first five years of the term, followed by principal and interest payments made monthly for the balance of the loan term.
3. Guaranty- John Miller, Jonathan Bullen, Jeffrey K. Woodbury and W. Richards Woodbury will guaranty completion of construction and also repayment of the portion of the Loan necessary to achieve a 1.25 debt service coverage ratio.

Staff and representatives of WP will be at the meeting to discuss the project and answer questions.

- ATTACHMENTS:**
1. Term Sheet
 2. Draft Resolution

RESOLUTION NO. 694.____

April 12, 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 L.L.C. 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 Woodmen Properties Parking Garage L.L.C. 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 L.L.C. has agreed to pledge the parking structure as security for the loan and the principals of Woodmen Properties Parking Garage L.L.C. have agreed to guaranty completion of the parking structure and repayment of the loan amounts in excess of the established ratio; and

WHEREAS, on January 11, 2011, the Board of Directors adopted Resolution 688.04 approving a 90-day commitment to fund a loan in an amount not to exceed \$3,550,000 to Woodmen Properties Parking Garage L.L.C.; and

WHEREAS, the borrower is required to contribute equity to the parking structure construction of at least 37% of the appraised value of the structure, and the appraisal of the parking structure necessitates a reduction in the loan amount to \$3,370,000 (plus an additional amount of up to \$50,000 to fund potential protective advances).

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 the final deal terms of the proposed loan in the amount of \$3,420,000, and authorizes the Executive Director to execute documents subject to the conditions and in

accordance with the terms of the attached revised Term Sheet and to incorporate such other terms as recommended by Agency's legal counsel.

Passed by the Board of Directors of the Redevelopment Agency of Salt Lake City, this 12th day of April, 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

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

Amount: A loan in an amount not to exceed \$3,420,000 (\$3,370,000 loan, plus a possible protective advance of up to \$50,000) 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 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. With respect to the transient or hourly parking stalls, the Borrower agrees to charge no more than the hourly rate for public paid parking in Salt Lake City for the public parking spaces \$1.00 per hour or the Salt Lake City Corporation parking meter rate, whichever is greater, during the first five-years following completion of construction of the Parking.
 10. 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.
 11. Such other terms as recommended by the Agency's legal counsel.
 12. 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.
 13. 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.