

DATE: May 10, 2011

ITEM: 7.D.

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 for the development of Agency owned property located at 237-255 South State Street and 241 and 247 South Floral Street (the "Property"). In February 2011, Tannach requested, and the RDA Board approved, an amendment to the Purchase and Sale Agreement (the "Agreement") that would modify the schedule for closing on the acquisition of the Property. Due to continuing financial negotiations, underwriting, and due diligence 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. Additionally, Tannach is seeking to modify the parking requirements in the Agreement.

REDEVELOPMENT ADVISORY COMMITTEE RECOMMENDATION: The Redevelopment Advisory Committee recommended that the RDA Board approve Tannach's request to extend the outside closing date to August 31, 2011. They also recommended approving Tannach's request to increase the allowable number of parking stalls to 180.

ALTERNATIVES:

- 1) Approve the resolution.
- 2) Do not approve the resolution.
- 3) Approve the resolution with changes.

ANALYSIS AND ISSUES: The Agreement, executed by Tannach and the RDA in July 2010, 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

demolished and replaced by a new seven story building. 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 a new theater. Despite the appearance of being comprised of multiple buildings, the development will function as one building, allowing market rate and income targeted units to be located throughout the development. The development will include 180 apartment units, including studios, one-, two-, three-, and four-bedroom units. The development is also designed to include 180 underground parking stalls.

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 Final Construction Documents. Additionally, Tannach has also submitted the construction documents to Salt Lake City for building permits. This submittal included a substantial permit fee. Tannach has also made progress in obtaining preliminary approvals for financing from several sources, including the Olene Walker Housing Loan Fund, the Utah Housing Corporation, and Stratford Capital. In all, seven sources of project financing will be used to fund the project. Discussions among the lenders, syndicators, and investors have indicated that closing on the financing will be complicated, time consuming, and expensive. This process of multi-party document negotiation and underwriting is likely to take months to complete. Adding to the timeline for closing, Citibank, the primary construction financing source, has required that the Property appraisal be updated before they will continue with the underwriting process.

Given the current progress in the financial negotiations, Tannach anticipates that they will not be able to close by the current outside closing date of May 31, 2011. Therefore, Tannach is requesting that the Outside Closing Date be moved from May 31, 2011 to August 31, 2011 and the current deadline for submittals of the Construction Contract and the Construction Financing be extended from May 12, 2011 to July 31, 2011.

If the requested extensions are approved:

- Tannach will have an additional three 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 September 3, 2011.

If the Board does not approve the requested extensions:

- Tannach will not be able to close by the current Outside Closing Date. If Tannach fails to close, the Agreement will terminate.
- If the Agreement terminates, the RDA may remarket the Property or enter exclusive negotiations with the second-ranked developer.

Additionally, the Agreement requires that the development include the greater of 160 underground parking stalls or the minimum number of stalls required by Salt Lake City zoning

code. The Agreement also prohibits surface parking. The 160 parking stalls were originally intended to ensure that there would be one parking stall for the original 157 apartment units in the development. Last month, the RDA Board approved the final construction documents, which included 180 parking stalls. Tannach is seeking to amend the Agreement to reflect the number of parking stalls required by the greater unit count.

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 the Tannach Properties.
- 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.
- On February 8th, the RDA Board approved a Resolution, which approved an

amendment to the Purchase and Sale Agreement that extended the outside closing date to May 31, 2011.

- On April 12, 2011, the RDA Board approved resolutions increased the number of apartment units from 157 to 180 and approved the Final Construction Documents.

ATTACHMENTS: Resolution, Tannach Letter

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.

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 (the “Agreement”) for the development of the Property; and

WHEREAS, the Agreement included a requirement that the Developer Improvements’ parking not exceed the greater of 160 parking stalls; or the minimum number of parking stalls required by Salt Lake City for the Property; and

WHEREAS, on February 8, 2011 the Board adopted Resolution No. 689.01 approving the extension of the Agreement’s Outside Closing Date to May 31, 2011; and

WHEREAS, on April 21, 2011 the Agency and Tannach executed the First Amendment to the Purchase and Sale Agreement; and

WHEREAS, Tannach has requested to amend the Agreement to change the Outside Closing Date to August 31, 2011, and the deadline for submitting the Construction Contract and the Construction Financing to July 31, 2011; and

WHEREAS, Tannach has requested to amend the Agreement's parking requirements by increasing the allowable number of parking stalls to 180.

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 permit the Developer Improvements to include 180 parking stalls.

BE IT FURTHER RESOLVED, that we do hereby approve amending the Purchase and Sale Agreement to extend the Outside Closing Date to August 31, 2011, and the deadline for submitting the Construction Contract and the Construction Financing to July 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 number of parking stalls, outside closing date, and deadline for submittals. The authorization to negotiate the form of the amendment and the RDA Board's approval of the changes shall expire on May 31, 2011 if the amendment has not been executed. 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 10th day of May, 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.



Building Design • Development • Management • Construction

April 27, 2011

Mr. Matt Dahl
Redevelopment Agency of Salt Lake City
451 S. State Street, Room 418
Salt Lake City, Utah 84111

RE: State Street Plaza P&S Agreement Amendment Request

Dear Mr. Dahl,

We are respectfully requesting an amendment to the Purchase and Sales agreement for the State Street properties addressing the outside closing date and the allowable number of parking stalls.

Firstly, we would like to extend the outside closing date to August 31, 2011. At this point we have past the negotiation phase with the investors and lenders and we have moved onto the underwriting and due diligence phases. We have frequent conference calls with all parties and the consensus is that we will not be able to close by May 31, 2011 as we had originally projected. New appraisals have been ordered and the attorneys are working on the new partnership agreements and all of loan documents which must be finalized and circulated to all parties prior to closing. We are anticipating a closing in July, however, but we are asking for an outside closing date of August 31, 2011 to provide ample time for all parties to prepare and review documents for closing.

Secondly, we would like to amend the agreement to allow for 180 underground parking stalls. Since the residential component of the project will consist of 180 units we would like to be able to provide one stall to each unit. We feel that the ability to offer one stall to each unit will strengthen the marketability and appeal of this project to potential tenants.

We sincerely appreciate your time in considering this request and apologize for any inconvenience. Please feel free to contact me with any questions or if you need further clarification. Thank you.

Sincerely,

A handwritten signature in black ink, appearing to read "Ben Logue".

Ben Logue
Managing Member
Tannach Properties, LLC

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