

**DATE:** June 7, 2011

**ITEM#:** 7.E.

**RE:** CONSIDERATION AND APPROVAL OF KIWANIS-FELT  
PROPERTY PURCHASE OPTIONS

**PROJECT AREA:** N/A

**FUNDING:** \$620,000 City-wide Housing

**PREPARED BY:** Edward Butterfield

**EXECUTIVE SUMMARY:**

RDA staff is requesting direction from the Board on the potential purchase of the Kiwanis-Felt property, located at 444 South 900 East (the "Property") from Salt Lake City Corporation. In July, 2010 the Purchase and Sale was amended to allow the use of the purchase funds for environmental abatement and demolition of the building on the Property. During the due diligence period, a survey was completed by the RDA that identified that Jordan/Salt Lake City Canal crossed the property diagonally. In follow up meetings with Public Utilities, the RDA and Administration staff learned that if the existing building were demolished, a new structure could not be constructed over the Canal. Also, Public Utilities owns Fee Simple rights to a significant portion of the property in addition to the underground canal easement. Both of these issues significantly impact the development potential and value of the site.

During this time, the RDA staff had already issued an RFP for environmental remediation work to the building. The Administration asked the RDA to move forward with the work based on the favorable bid prices with the promise to reimburse the RDA if the purchase of the Property did not move forward.

**ALTERNATIVES:**

1. Pass a motion declining the purchase of the Property, and asking the City to reimburse the RDA for environmental abatement costs already incurred.
2. Pass a motion to have the RDA purchase the Property at a reduced price based on the canal relocation, abatement, and demolition costs.

3. Pass a motion to approach the Salt Lake City School District for possible purchase of the Property.
4. Pass a motion that includes a combination of the potential alternatives.
5. Do not pass a motion.

### **ANALYSIS AND ISSUES:**

Staff has presented additional information on the potential alternatives for the Property.

#### Option #1 -

The City Administration would reimburse the RDA for \$77,335 of costs incurred for the abatement of hazardous materials. The Administration would determine the final and best use for Property.

#### Option #2 –

The RDA would move forward with the purchase of the Property with price reduction to reflect the costs for environmental abatement, demolition, relocation of the canal, and paying Public Utilities for Fee Simple rights to for its portion of the property. It is estimated that the relocation of the canal would cost up to \$250,000 in addition to the demolition costs of \$100,000. The total estimated sum is \$427,000. This does not include the payment amount to Public Utilities for acquiring Fee Simple title. The RDA would need to work with Public Utilities to determine this amount.

Under this option, the RDA could either hold the property for a future affordable housing project, or proceed immediately with demolishing the building, moving the Canal, and soliciting a developer for an affordable housing project.

#### Option #3 -

The City Administration or the RDA could approach the Salt Lake City School District to potentially acquire or lease the site to expand the adjacent Bennion Elementary School playground or the staff parking lot. Under a leasing scenario, the City could hold the property for future development or sale opportunities.

### **BACKGROUND:**

In July 2008 the Board approved a resolution for the purchase of the Property from Salt Lake City Corporation for the appraised price of \$620,000. An updated appraisal conducted in March 2010 lowered the appraised price of the Property to \$530,000 based on the deterioration of the local real estate market and the property improvements would no longer be viewed by the market as offsetting abatement and demolition costs. Based on the original term sheet, the RDA and City Administration agreed to maintain the original \$620,000 purchase price and deduct abatement and demolition costs from this amount. If the proposed amendments are approved, an escrow account will be created at closing with the amount placed in the account determined from bids provided for the demolition and

abatement work. An additional contingency would be added to the estimated cost for any unexpected expenses. The final amount in the escrow account would be agreed on by the RDA and City Administration prior to closing.

Staff negotiated terms for the acquisition of the Property in July of 2008 that includes one parcel totaling approximately 0.57 acres. The appraised value for the land and building based on a 2008 appraisal is \$620,000. The Property is zoned CN (Neighborhood Commercial).

The Purchase & Sale Agreement term sheet was amended in July, 2010 to include the establishment of an escrow account from the sale proceeds to cover abatement and demolition costs and an extension of the outside closing date by three months from August 15, 2010 to November 15, 2010.

The Property was originally owned by Salt Lake City Corporation (60 percent) and Salt Lake County (40 percent). Based on the RDA's willingness to purchase the property, Salt Lake City purchased Salt Lake County's portion of the Property in 2008. Salt Lake County was required to use the funds from the sale to remodel the Central City Community Center.