

DATE: February 14, 2012

ITEM: 7.B.

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 recent months, Tannach has been working through structural engineering issues that needed to be addressed before the project's financing could be finalized. The time required to work through these issues delayed closing on the project and finalization of the project's financing. Due to this delay, Tannach is requesting extensions of the outside closing date and the project financing submittal date. Tannach is also requesting a modification to the required mix of residential units.

REDEVELOPMENT ADVISORY COMMITTEE RECOMMENDATION: The Redevelopment Advisory Committee (RAC) did not have a quorum at their February meeting. The four RAC members who attended the meeting unanimously indicated that they support the proposed changes to the Agreement.

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

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 Agreement were terms that were derived from Tannach's development proposal, the project's approved basic design, and the RDA's standard terms. The original terms have been modified by five amendments to the Agreement.

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, comprised of studios, one-, two-, three-, and four-bedroom units. The development is also designed to include 180 underground parking stalls.

Tannach will be receiving construction and permanent financing for the development through a combination of several sources. These sources include Salt Lake City (subordinate construction lender), the State of Utah (subordinate construction lender), Stratford Capital (low income housing tax credit investor), Citibank (primary construction lender), Utah Housing Corporation (bonds), Key Bank (Federal New Markets tax credit investor), the Logue Foundation (subordinate construction lender), and Freddie Mac (permanent lender). Coordinating the due diligence, underwriting, and contract negotiations has been challenging. One significant issue has been Citibank's requirement that takeout financing for their construction loan be secured prior to closing on the project. To address this issue, Citibank submitted an application to Freddie Mac for approval of permanent financing that will takeout Citibank once construction is complete. The submittal of the application to Freddie Mac, which was delayed through much of the fall due to engineering issues, has been the primary driver of the repeated extensions of the Project's outside closing date.

In December, Tannach believed Citibank's submittal of the application to Freddie Mac was imminent, so they requested a February 15th deadline for the outside closing date. The application was actually submitted on January 13th. Given the submittal date and discussions with the Project's financiers, the following is the current anticipated timeline for closing:

- February 3rd – Freddie Mac Provides Commitment
- February 6th – Submittal of Loan and Development Documents to Freddie Mac
- February 14th – Board Reviews Current Amendment Request
- February 28th – Pre-Close
- March 1 – Close on Sale of Land and Financing

The Fifth Amendment to the Purchase and Sale Agreement, which was approved in December, changed the date for submitting the terms of the project's construction financing to January 11, 2012. Tannach was unable to meet this requirement due to the delay in Citibank's submittal to Freddie Mac. Tannach is requesting to have the construction financing submittal date moved from January 11, 2012 until February 20, 2012. The Fifth Amendment also changed the Outside Closing Date to February 15, 2012. Tannach is also requesting that the Outside Closing Date be changed to March 26, 2012. The proposed deadlines are reflective of the timeline proposed by the project's financiers, with some additional time allotted for unforeseen delays.

In addition to the extensions, a modification to the required income targets for residential units is also being sought. The following is the current unit mix approved by the RDA Board:

Unit Type	% of AMI	Number of Units
Studio	35%	10
1 Bed/1 Bath	50%	30
1Bed/1 Bath/Den	60%	24
2 Bed/2 Bath/Den	60%	35
2 Bed/ 2 Bath	Market Rate	26
3 Bed/ 2 Bath	45%	10
3 Bed/ 2 Bath	60%	10
3 Bed/ 2 Bath/Den	60%	10
3 Bed/2 Bath	Market Rate	18
4 Bed/ 2 Bath	60%	7
	Total	180

Utah Housing Corporation (UHC), the issuer of the Mortgage Revenue Bonds for the Project, requires that the income for renters of the 44 units currently designated by the RDA as being “market rate” to also be restricted, such that the average income of the renters will not exceed 80% of the Area Median Gross Income (AMI). In Salt Lake County, 80% of AMI would equal \$39,950 for an individual and \$57,050 for a family of four. Staff feels that the 80% AMI average requirement would necessarily result in the units having income targets, as opposed to being rented as market rate. Therefore, it is being proposed that the distribution of units be modified so that the units currently designated as market rate have no specified income requirement, so as to ensure there is no conflict with UHC’s requirements. The change would still provide Tannach with the ability to rent the units to market rate tenants, but each unit rented to someone with an income in excess of 80% AMI will need to be offset with someone making less than 80% AMI.

Additionally, Tannach is requesting that the income restrictions on the 35%, 45%, and 50% AMI units be increased by 5%. This change is meant to reflect Tannach’s revenue projections, which were based on an AMI rental rate calculation, rather than just AMI. UHC has requirements for specific rental rates for income targeted units, but allows for the income of the individuals residing in the units to be up to 5% higher than the designated rental rate. For example, units that are designated as having rents that are calculated for individuals and families making 35% AMI, may be rented to those that make up to 40% AMI. Tannach is requesting that the RDA change its requirements to reflect UHC’s requirements. The table below reflects the changes to the rental requirements if the Board approves Tannach’s request.

Unit Type	% of AMI	Number of Units
Studio	40%	10
1 Bed/1 Bath	55%	30
1Bed/1 Bath/Den	60%	24
2 Bed/2 Bath/Den	60%	35
2 Bed/ 2 Bath		26

3 Bed/ 2 Bath	50%	10
3 Bed/ 2 Bath	60%	10
3 Bed/ 2 Bath/Den	60%	10
3 Bed/2 Bath		18
4 Bed/ 2 Bath	60%	7
	Total	180

If the RDA Board approves the proposed terms, Tannach will have an additional 40 days to close on the purchase of the RDA's property. If the RDA Board does not approve the proposed terms Tannach will not be able to close by the current Outside Closing Date. If closing does not occur by the Outside Closing Date, the Agreement will expire and the RDA would need to consider remarketing the site for development.

Staff will be prepared to discuss the proposed changes at the Board meeting.

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.
- On May 10, 2011, the RDA Board approved Resolution 696.03 extending the outside closing date to August 31, 2011 and the date for submitting the construction financing and construction contract to July 31, 2011.
- On August 9, 2011, the RDA Board approved Resolution 699.01 extending the outside closing date to October 31, 2011 and the date for submitting the construction financing and construction contract to September 30, 2011. The Resolution also included changes to the completion bond requirement and required Tannach to cover the holding costs for the Property.
- On October 7, 2011, the RDA Board approved Resolution 702.01 extending the outside closing date to December 16, 2011 and the date for submitting the construction financing to October 31, 2011.
- On December 13, 2011, the RDA Board approved Resolution 704.01 extending the outside closing date to February 15, 2012 and the date for submitting the construction financing to January 11, 2012.

ATTACHMENTS: Resolution, Letter From Tannach Properties, Project Drawings

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

WHEREAS, on May 31, 2011, the Agency and Tannach executed the Second Amendment to the Purchase and Sale Agreement; and

WHEREAS, on August 30, 2011, the Agency and Tannach executed the Third Amendment to the Purchase and Sale Agreement; and

WHEREAS, on October 26, 2011, the Agency and Tannach executed the Fourth Amendment to the Purchase and Sale Agreement; and

WHEREAS, on December 20, 2011, the Agency and Tannach executed the Fifth Amendment to the Purchase and Sale Agreement; and

WHEREAS, the Agency and Tannach desire to further amend the Purchase and Sale Agreement.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE REDEVELOPMENT AGENCY OF SALT LAKE CITY, that we do hereby approve the terms in the Term Sheet for a Sixth Amendment to Purchase and Sale Agreement attached hereto.

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 Properties L.L.C. for the Property in accordance with the Term Sheet attached hereto. The authorization to negotiate the form of the amendment and the RDA Board's approval of the changes shall expire on February 21, 2012 if the amendment has not been executed by both parties. 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 14th day of February, 2012.

Kyle LaMalfa, 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.

By: _____

Purchase and Sale Agreement
Sixth Amendment Term Sheet

Defined Terms:	Capitalized terms shall have the same definitions as in the Purchase and Sale Agreement.
Outside Closing Date:	The Outside Closing Date shall be extended from February 16, 2012 to March 26, 2012.
Construction Financing Submittal Deadline:	The date for submitting the proposed Construction Financing for review and approval by the Agency shall be extended from January 11, 2012 to February 15, 2012.
Residential Unit Count and Income Targets:	The Developer Improvements shall include 10 ($\pm 5\%$) studio apartments for those making 40% or less of AMI, 30 ($\pm 5\%$) one-bedroom and one-bathroom apartments for those making 55% or less of AMI, 24 ($\pm 5\%$) one-bedroom and one bathroom apartment units for those making 60% of AMI, 35 ($\pm 5\%$) two-bedroom and two-bathroom apartment units for those making 60% of AMI, 26 ($\pm 5\%$) two-bedroom and two-bathroom apartment units, 10 ($\pm 5\%$) three-bedroom and two-bathroom apartment units for those making 50% of AMI, 20 ($\pm 5\%$) three-bedroom and two-bathroom units for those making 60% of AMI, 18 ($\pm 5\%$) three-bedroom and two-bathroom units, and 7 ($\pm 5\%$) four-bedroom and two bathroom units for those making 60% or less of AMI.