

REDEVELOPMENT AGENCY STAFF MEMO

DATE: August 18, 2015

ITEM #: 8.A

PREPARED BY: Kort Utley

RE: Loan request from Central Ninth Development Partners

REQUESTED ACTION: Consideration of a resolution approving a loan to Central Ninth Development Partners.

POLICY ITEM: West Temple Gateway Strategic Plan – Priority Project #1

BUDGET IMPACTS: \$500,000 allocated from the Agency's revolving loan fund.

EXECUTIVE SUMMARY: Central Ninth Development Partners (“Applicant”) was selected to purchase and redevelop the RDA’s property located at 153 West 900 South (“Property”), and is requesting a \$500,000 loan from the RDA to construct a 9,216 sq. ft. commercial building there. The proposed loan aligns with the strategic plan for redeveloping the West Temple Gateway project area but requires Board consideration because it includes some modifications to the RDA’s standard loan terms.

LOAN COMMITTEE RECOMMENDATIONS: The RDA Loan Committee reviewed the Applicant’s loan application, August 11. The committee expressed concern over the lack of parking for the commercial tenants, but the committee recommends approval of the loan with the following conditions:

1. The RDA loan shall be contingent on the approval of primary financing from another lender, either the proposed loan from Greater Salt Lake Development Corporation or another source.
2. If the applicant is unable to obtain financing from GSLDC or another source, the Loan Committee would determine whether the RDA would act as lender of last resort to fund the whole project.

ANALYSIS & ISSUES: The RDA Board selected the Applicant to redevelop the Property because its proposed project closely aligned with the West Temple Gateway redevelopment strategy. The Applicant’s project, which is referred to as the “Central Ninth Market,” includes five, locally-owned, small businesses that would activate the neighborhood and help transform it into a vibrant, transit-oriented node located along the 9-Line corridor. These tenants include a small market, restaurant, deli, bar, salon, and a local non-profit, all of whom have signed letters of intent to lease (“Project”). The Project would also enhance the streetscape with two outdoor dining areas and an art installation from local artists Mark Hofeling and Christian England.

The total Project cost is approximately \$1,800,000 and the Applicant has made a good faith effort to obtain conventional financing. Having been unable to do so, the Applicant has requested financing from the Greater Salt Lake Development Corporation (GSLDC) in the amount of \$998,000. The Applicant has committed \$307,000 in equity and requested an RDA loan to fill the funding gap. Blended together, these loans demonstrate a public-private financing partnership that will help construct a project that would otherwise not be feasible in this transitional neighborhood.

Staff has collaborated closely with GSLDC to outline an RDA loan that is compatible with the proposed GSLDC financing. This requires some modifications to the RDA's standard loan terms in order to make the project financially feasible. Because these terms deviate from the RDA's standards, Board approval is required. Pursuant to the attached term sheet, the two terms that have been adjusted for this loan are the interest rate and the loan repayment amortization schedule. The RDA's standard interest rate on a ten year loan is 5% for the first five years and 7% for the second five years. The standard amortization schedule is 20 years. Staff proposes adjusting the interest rate on the RDA loan to 2% for the first five years and 4% for the second five years, and adjusting the amortization schedule to 25 years. These adjustments allow for sufficient cash flow to ensure project success, although with slim margins. The blended interest rate between the RDA loan and GSLDC loan is roughly equivalent to current market rates.

GSLDC is conducting its underwriting at this time, and it appears GSLDC will be able to provide the majority of the financing required, pending approval from their loan committee, which will meet later in August. Pursuant to the terms attached, if the Applicant cannot obtain financing from GSLDC, the RDA would step in and finance the whole project as a lender of last resort. The RDA's Revolving Loan Fund currently has adequate funds to finance either the \$500,000 loan or the entire Project.

The Applicant is a newly-formed development company whose partners possess ample experience and expertise to complete the Project. The team combines the real estate development expertise of Peter and Chris Corroon with the architectural and place making expertise of Jason Foster and Jesse Hulse. The Applicant has recently signed a purchase and sale agreement for the Property and the RDA has approved the project's architectural plans.

A second phase of the development—which is not a part of this loan—will feature four market-rate townhomes. The Applicant is currently seeking private financing for that component of the project.

PREVIOUS BOARD ACTION:

- The Board approved the terms of a Request for Proposals to redevelop the Property, January 14, 2014.
 - The Board approved the terms of the purchase & sale agreement and the development agreement, November 18, 2014.
 - The Board approved a \$15,000 matching grant to provide public art as part of the Project.
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ATTACHMENTS:

A. Resolution

B. Loan Term Sheet

C. Project Renderings

RESOLUTION NO. 760.____

August 18, 2015

RESOLUTION OF THE BOARD OF DIRECTORS OF THE REDEVELOPMENT AGENCY OF SALT LAKE CITY APPROVING A LOAN TO CENTRAL NINTH DEVELOPMENT PARTNERS.

WHEREAS, the Redevelopment Agency of Salt Lake City (“RDA”) was created to transact the business and exercise the powers provided for in the Utah Community Development and Renewal Agencies Act; and

WHEREAS, the RDA adopted the “West Temple Gateway Neighborhood Development Plan” in 1987; and

WHEREAS, the RDA owns certain real property at 153 West 900 South (the “Property”) and desires to redevelop it in accordance with the “Central Community Master Plan”; and

WHEREAS, the RDA approved resolution 742.01 approving the terms for a Request for Proposals to redevelop the Property; and

WHEREAS, a request for proposals (“RFP”) was issued for the Property on March 25, 2014; and

WHEREAS, responses to the RFP were due on June 26, 2014; and

WHEREAS, Central Ninth Development Partners responded to the RFP with a proposal for a mixed use retail and residential development on the Property (“Project”); and

WHEREAS, the designated Central Ninth Selection Committee selected Central Ninth Development Partners to develop the Property based upon its review and consideration of all submittals in accordance with the Request for Proposals; and

WHEREAS, the RDA entered into an exclusive negotiation period with Central Ninth Development Partners on August 1, 2014; and

WHEREAS, the RDA approved resolution 751.02 approving the terms for the purchase and sale agreement, development agreement, special warranty deed, and guaranty of completion and performance with Central Ninth Development Partners for the Property; and

WHEREAS, the RDA entered into a purchase and sale agreement with Central Ninth Development Partners on July 15, 2015; and

WHEREAS, the RDA has established a revolving loan fund to provide loans in its project areas; and

WHEREAS, Central Ninth Development Partners has requested a loan from the RDA to construct their proposed project on the Property; and

WHEREAS, the RDA staff has negotiated the attached set of terms for a potential a loan to Central Ninth Development Partners for the Project (“Term Sheet”); and

WHEREAS, the RDA is willing to provide a loan to Central Ninth Development Partners to facilitate redevelopment of the Property.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE REDEVELOPMENT AGENCY OF SALT LAKE CITY, that we do hereby approve the loan outlined in the Term Sheet attached hereto.

BE IT FURTHER RESOLVED THAT we do hereby authorize the Chief Administrative Officer and the Executive Director to negotiate and execute the legal documents attendant to such loan between the Redevelopment Agency of Salt Lake City and Central Ninth Development Partners, in accordance with the Term Sheet attached hereto. The documents shall also incorporate such other terms as recommended by RDA legal counsel.

Passed by the Board of Directors of the Redevelopment Agency of Salt Lake City, this 18th day of August, 2014.

Stan Penfold, 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 legal form:_____

RDA LOAN TERM SHEET

August 18, 2015

BORROWER NAME: Central Ninth Development Partners, LLC

CONTACT PERSONS: Peter Corroon, Chris Corroon, Jason Foster, Jesse Hulse

PROPOSED LOAN:	
AMOUNT:	\$500,000
RATE:	2% for years 1-5, 4% for years 6-10
TERM:	10 Years 120 months
ESTIMATED PAYMENTS:	\$2,119.27 Amortizing monthly payment of Principal & Interest over a 25 year period
CONSTRUCTION INTEREST:	Interest to accrue during construction but no payments are required until occupancy, at which time construction interest is added to principal balance and amortized over 25 years to determine monthly principal and interest payments.
PROPOSED DRAWDOWNS:	Up to 9 drawdowns over nine months.
COMMITMENT FEE / BORROWER'S DEPOSIT:	None
RDA LEGAL:	Hourly bill, payable at closing, may be paid from loan proceeds.
PREPAYMENT PENALTIES:	None
ELIGIBLE USES OF FUNDS:	Eligible construction and loan-related closing costs

COLLATERAL AND GUARANTEES

- (a) A second mortgage lien on commercial/residential property located at 153 W 900 S, Salt Lake City, Utah 84101; and
- (b) A second lien on all business assets of Central Ninth Development Partners, LLC; and
- (c) A second lien on all machinery and equipment, furniture and fixtures acquired with loan proceeds; and
- (d) Unlimited corporate guarantees of all affiliates: Red Gate Properties, LLC and Big Tobacco Holding Company, LLC; and
- (e) Personal guarantees of Peter Corroon, Chris Corroon, Jason Foster, and Jesse Hulse.

COVENANTS AND CONDITIONS

- (a) All of the Borrower/Guarantor equity must be expended prior to initial disbursement of RDA funds for construction; and
- (b) RDA funds must be disbursed in equal amounts to Greater Salt Lake Development Corporation (GSLDC) funds or those from another primary lender until the RDA's loan is fully disbursed; and
- (c) Evidence of commitment and availability of all other loan funds; and
- (d) Evidence of required equity investment in the form of documented project costs or escrowed funds needed to meet project costs, and
- (e) Appraisal/valuation satisfactory to RDA on 153 W 900 S, Salt Lake City, Utah 84101 with a value of at least \$1,572,000 (as completed); and
- (f) All management and marketing fees to be paid to related parties must be subordinated to loan payments; and
- (g) A guaranteed maximum price contract, and a performance and payment bond will be required from the General Contractor, or alternative acceptable to RDA such as a Construction Completion Commitment.
- (h) A contractual commitment from Central Ninth Development Partners to help fund the on-going maintenance of streetscape enhancements proposed for Central Ninth in the amount of \$1,000 per year in perpetuity; amount subject to fluctuations in the consumer price index (CPI).
- (i) If Central Ninth Development Partners cannot obtain financing from GSLDC, RDA would act as lender of last resort. The terms of this "fall back loan" are \$1,498,000 loan, 5% interest, 5 year term, 20 year amortization. In this scenario the RDA would assume first position on the collateral and guarantees shown above. All other terms, covenants and conditions listed above to remain the same, except for item (b) above which would be removed.

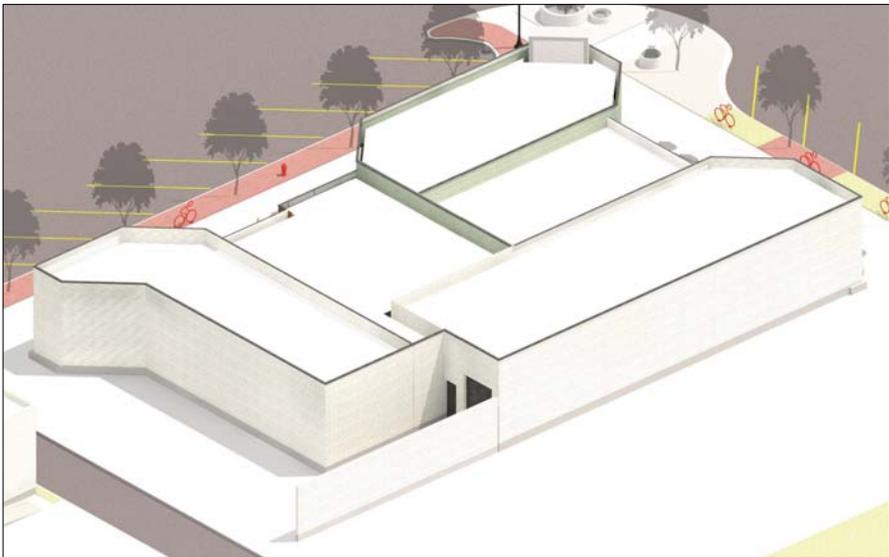
Project Renderings



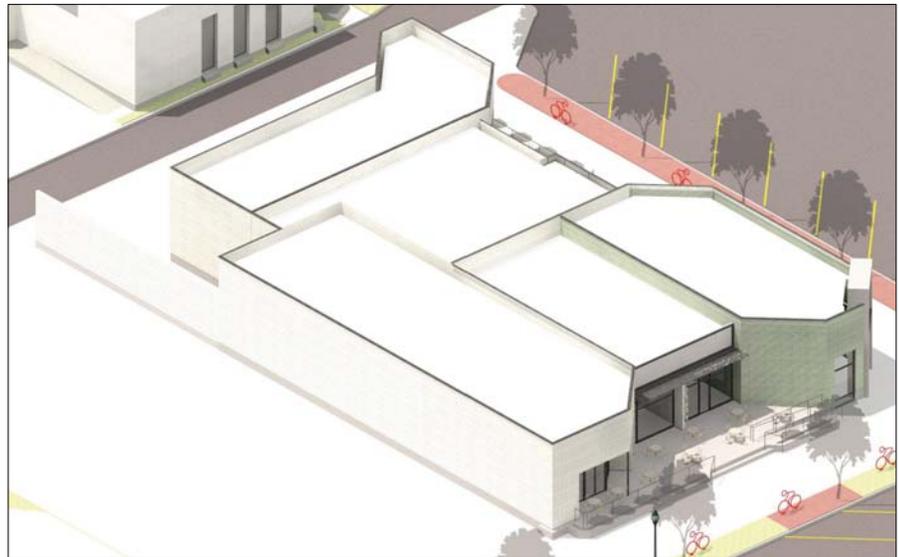
NORTH-EAST VIEW 4
SCALE: N.T.S. A000



NORTH-WEST VIEW 2
SCALE: N.T.S. A000



SOUTH-WEST VIEW 3
SCALE: N.T.S. A000



SOUTH-EAST VIEW 1
SCALE: N.T.S. A000

CENTRAL 9TH MARKET

153 WEST 900 SOUTH
SALT LAKE CITY, UT 84101

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VIEWS

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