

REDEVELOPMENT AGENCY STAFF MEMO

DATE: August 18, 2015

ITEM #: 9.C.

PREPARED BY: Ashlie Easterling

RE: Discussion and Approval of an Extension to the Granary District Adaptive Reuse Loan Program

REQUESTED ACTION: Motion to extend the Granary District Adaptive Reuse Loan Program through August, 2017.

POLICY ITEM: Granary District Strategic Plan – Granary Adaptive Reuse Programs

BUDGET IMPACTS: No new budget impacts are being proposed. \$200,000 is currently available in the Granary District Adaptive Reuse Program fund.

EXECUTIVE SUMMARY/ANALYSIS: The Board approved the terms for the Granary District Adaptive Reuse Loan Program (the “Program”) in January, 2014. This unique loan program is intended to encourage the adaptive reuse of existing buildings in the Granary District Project Area by reducing the economic impact of building code requirements such as seismic upgrades and fire suppression systems. The Program was initially made available through January, 2015. Interest by property owners in this program has increased during 2015 and an extension of the program would facilitate the activation of several large unique buildings that have remained vacant for many years due to current code violations. Atmosphere Studios, a 17-year old Utah business with 30+ employees, is prepared to apply for the Program to assist with a \$1.1 million renovation of a 66,000 square foot building at 700 South and 300 West. Staff has developed a marketing strategy to engage the Granary District community and increase interest in the Program as outlined below. The Board is being asked to approve an extension of the Program through August, 2017. All other terms for the program will remain unchanged.

ANALYSIS AND ISSUES: The Granary District contains 125 buildings that were constructed prior to 1962. Many of these buildings provide excellent opportunities for reuse due to their location and historical character. Unfortunately, many of these buildings have not been upgraded to meet current building code requirements. Buildings must be brought up to code when they have a change of use, often with substantial cost. Examples of required improvements include seismic retrofits, installation of fire suppression systems, and increasing

the number or size of bathrooms. These requirements often result in renovation costs that are beyond what was originally anticipated by investors, and often result in projects no longer making economic sense.

HOW THE PROGRAM WORKS: Staff is proposing an extension of this unique and limited loan program, called the Granary District Adaptive Reuse Loan Program (the “Program”), that is intended to reduce the financial impact of improvements required by building code, and to encourage more investment in the Project Area. The Program would provide a no-interest, no-payment loan of up to \$200,000 to fund improvements that are required by the building code and that address health and safety issues. Loans will be forgiven after five years as long as borrower is in compliance with all loan terms. Loan funds must be matched by private investment at escalating ratios based on the size of the loan amount. The table below describes how the match requirements escalate (Example: A \$50,000 loan would require a \$100,000 match: \$25,000 for the first \$25,000 of the loan and \$75,000 for the second \$25,000 of the loan).

Each Step is Added to Create the Total Amount of Loan Funds Needed	Loan Amount Steps	Match Ratio (RDA Loan: Private Funds)	Max Match Amount Per Step
Step 1	\$0-25,000	1:1	\$25,000
Step 2	\$25,001-50,000	1:3	\$75,000
Step 3	\$50,001-75,000	1:10	\$250,000
Step 4	\$75,001-200,000	1:20	\$2,500,000

The Program is designed to be accessible to the developers of small projects, as well as to well-capitalized developers of multi-million dollar projects. To accomplish this, staff designed the escalating match ratio to provide a larger share of funding to smaller projects. Staff also developed a preliminary approval process that is intended to allow developers of smaller projects to receive some assurance of funding prior to making a large investment in soft costs.

MARKETING STRATEGY: Staff will be working closely with the RDA’s Communication Specialist to market the Program via social media, current Granary community contacts, and an open house to engage Granary District property owners with unique buildings and those that are known to have code violations. Outreach to specific property owners will be key to educating those who might benefit most from the Program.

BACKGROUND: The slow growth of tax increment revenue in the Granary District Project Area is the result of a lack of private investment in the project area. This program seeks to encourage neighborhood pioneers to invest in the project area, and through their success, draw more risk-averse developers to the neighborhood. The program is intended to go beyond the status quo for incentives, counter current investment inertia, and generate quality projects. It is possible that the incentives provided will be insufficient to encourage new investment. Staff intends to document the interest in, and results of, the program and may return to the RDA Board to modify the terms if needed.

The Board is being asked to approve an extension of the Granary District Adaptive Reuse Loan Program. If approved, the staff would continue to market the program and accept applications from property owners currently interested in applying.

PREVIOUS BOARD ACTION:

- January 14, 2014 – The RDA Board approved the terms of the Granary District Adaptive Reuse Loan Program.
- May 13, 2014 – The RDA Board approved the Third Amendment to the Annual Implementation Budget for Fiscal Year 2013-2014. This amendment included the creation of a new fund for the Granary District Adaptive Reuse Loan Program.