

DATE: March 17, 2015

ITEM#: 9.A.

RE: CONSIDERATION AND ADOPTION OF A RESOLUTION OF THE BOARD OF DIRECTORS OF THE REDEVELOPMENT AGENCY OF SALT LAKE CITY APPROVING THE TERMS OF AN ASSIGNMENT AND ASSUMPTION AND AMENDMENT OF TAX INCREMENT REIMBURSEMENT AGREEMENT WITH ARBOR LODGING PARTNERS FOR THE PURCHASE OF THE HOMEWOOD SUITES HOTEL, LOCATED AT 423 WEST 300 SOUTH, SALT LAKE CITY, UTAH.

PROJECT AREA: Depot District

PREPARED BY: Jill Wilkerson-Smith

EXECUTIVE SUMMARY: Arbor Lodging Partners (“Arbor”), a hotel development and asset management company based in Chicago, Illinois, intends to purchase the Homewood Suites Hotel (“Hotel”), located at 423 West 300 South. Arbor is requesting the RDA agree to preserve the existing Tax Increment Reimbursement Agreement (“TI Agreement”) upon its acquisition of the Hotel. Staff provides the following analysis and proposed deal terms to effectuate the transaction.

ALTERNATIVES:

1. Adopt the resolution.
2. Do not adopt the resolution.
3. Adopt the resolution with changes.

ANALYSIS AND ISSUES: The Hotel was originally built and owned by Rio Grande Development, LLC (“RGD”). The RDA entered into a TI Agreement with RGD in 2007 that provides RGD with up to \$2,080,000 in tax increment incentive payments for installation of public improvements and a parking structure with free public access for the Farmer’s Market.

Since executing the TI Agreement with RGD in 2007, the RDA has paid RGD \$875,700.42 in tax increment reimbursements for the Hotel. If the Board approves the Assignment and Assumption and Amendment of TI Agreement, the new owner will be able to continue collecting reimbursements, subject to the following conditions:

- Arbor shall complete at least \$4 million in upgrades to the Hotel, as proposed by Arbor, within a specified timeframe, to be negotiated by both parties and approved by the RDA;

- The RDA shall execute and record an Amended TI Agreement that clarifies parking requirements for the Farmer's Market, and property tax protest notification requirements.

Staff has attached a term sheet that specifically addresses the above terms, plus other conditions of the Assignment and Assumption and Amendment of TI Agreement for review.

BACKGROUND: In 2007, the RDA entered into a TI Agreement with Rio Grande Development, LLC, for the inclusion of public improvements and public parking in its hotel development at 423 West 300 South. The public infrastructure eligible for reimbursement includes curb, gutter, sidewalk, landscaping, benches and street lighting. RDG is also required to provide a minimum of 110 public parking stalls to service users and vendors of the Farmer's Market. To date, the RDA has paid \$875,007.42 in reimbursements to RGD.

ATTACHMENTS: Resolution approving an Amended Reimbursement Agreement, and Assignment and Assumption Agreement between the RDA and Arbor Lodging Partners, with Termsheet.

RESOLUTION OF THE BOARD OF DIRECTORS OF THE REDEVELOPMENT AGENCY OF SALT LAKE CITY APPROVING THE TERMS OF AN ASSIGNMENT AND ASSUMPTION AND AMENDMENT OF TAX INCREMENT REIMBURSEMENT AGREEMENT WITH ARBOR LODGING PARTNERS FOR THE PURCHASE OF THE HOMEWOOD SUITES HOTEL, LOCATED AT 423 WEST 300 SOUTH, SALT LAKE CITY, UTAH.

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

WHEREAS, following a public hearing, the Agency adopted Resolution No. 484.01 entitled, “Resolution of the Redevelopment Agency of Salt Lake City Approving and Adopting the Project Area Redevelopment Plan entitled, “Depot District Redevelopment Project Area Plan,” dated October 15, 1998;” and

WHEREAS, Agency created the Tax Increment Reimbursement Program to encourage the development of public spaces and parking improvements; and

WHEREAS, on August 10, 2006, the RDA Board adopted Resolution No. 616.03, approving a Participation and Reimbursement Agreement (“TI Agreement”) with Rio Grande Development, LLC, (“RGD”) developer of a hotel located 423 West 300 South (“Hotel”), to provide up to \$2,080,000 in tax increment reimbursement funds in exchange for the installation of certain public improvements and provision of a minimum of 110 parking stalls for users of the Downtown Alliance’s Farmer’s Market, and

WHEREAS, RGD is selling the Hotel to Arbor Lodging Partners (“Arbor”), and Arbor is requesting the Agency consent to the assumption of the TI Agreement; and

WHEREAS, the RDA has agreed to consent to the assumption of the TI Agreement to Arbor under conditions of a Term Sheet attached hereto.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE REDEVELOPMENT AGENCY OF SALT LAKE CITY, that the Board does hereby approve the terms of an Assignment and Assumption and Amendment of Tax Increment Reimbursement Agreement with Arbor related to its purchase of property at 423 West 300 South and authorizes the Chief Administrative Officer and Executive Director to execute an Assignment and Assumption and Amendment of Tax Increment Reimbursement Agreement in accordance with the Term Sheet attached hereto, with such changes and additional terms as may be recommended by legal counsel.

Passed by the Board of Directors of the Redevelopment Agency of Salt Lake City, this 17th day of March, 2015.

Stan Penfold, Chair
RDA Board of Directors

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:

By: _____
Tom Berggren, Jones Waldo Holbrook & McDonough
RDA Legal Counsel

TERMSHEET
Assignment and Assumption and
Amendment of Tax Increment Reimbursement Agreement
Between the RDA and Arbor Lodging Partners

1. The RDA will attempt to negotiate with Arbor Lodging Partners (“Arbor”) the terms and conditions of a form of Assignment and Assumption Agreement among the current owner of the Property, Arbor, and the RDA.
2. If the Parties agree on the form the Agreement, then the Agreement will be signed in connection with the closing of Arbor’s purchase of the Property.
3. The Agreement will be recorded immediately after the deed that conveys the property to Arbor is recorded, prior to the recordation of its new deed of trust. The RDA will require that the title company confirm to the RDA that the Agreement is prior to any financing document.
4. The Agreement shall contain the following terms and conditions, together with such other terms and conditions as the Parties shall agree in their sole discretion.
 - (a) The RDA will consent to the sale of the Property to the Developer.
 - (b) The current owner and the Developer will acknowledge that all payments under the 2007 Agreement have been made to date and the next annual payment is due in March, 2015. The Developer shall acknowledge that the RDA has paid \$875,700.42 of the Developer’s Tax Increment Share.
 - (c) The 2007 Agreement is amended to provide that the Developer will expend at least \$4 million on the construction items described on an exhibit (the “Additional Developer Improvements”) by a specified date (the “Outside Completion Date”).
 - (d) The 2007 Agreement will be amended to provide that if the Developer fails to complete the Additional Developer Improvements by the Outside Completion Date, the Developer shall not be entitled to any more Developer’s Tax Increment Share. The parking easement will continue to be in effect in accordance with its terms.
 - (e) The 2007 Agreement is amended to deal with property tax appeals and to indemnify the RDA with respect to the construction of the Additional Developer Improvements.

- (f) The 2007 Agreement will be amended to include such additional provisions regarding the parking easement as the RDA deems appropriate to properly implement the RDA's rights under that section.
- (g) The Agreement will attach a copy of the 2007 Agreement, which will be recorded as an exhibit to the Agreement (to give notice of the parking easement).
- (h) The Developer shall pay the RDA's legal expenses.