

REDEVELOPMENT AGENCY STAFF MEMO

DATE: April 14, 2015

ITEM #: 8.A.

PREPARED BY: Ashlie Easterling

RE: Consideration and Adoption of a Resolution of the Board of Directors of the Redevelopment Agency of Salt Lake City Approving Term Sheets for Requests for Proposals and Letters of Interest for Property Located at 901 South Gale Street.

REQUIRED ACTION:

- 1) Approve the Resolution.
- 2) Do not approve the Resolution.
- 3) Approve the Resolution with revisions.

POLICY ITEM: Property Disposition

BUDGET IMPACTS: Granary District funds will be utilized for marketing the property and legal fees associated with negotiations leading up to a final sale and purchase. Development incentives such as a write-down in the cost of the land and other support for exceptional projects that demonstrate the Development Objectives (see term sheets) may be considered.

RAC RECOMMENDATIONS: RAC recommended the Board approve the terms for the Request for Letters of Interest and Request for Proposals (the "Term Sheets") with the suggestion that the sustainability criteria consider a standard benchmark for environmental design to facilitate easier comparison of proposals. There was additional discussion about other standards for environmental design and some of the challenges associated with the cost of LEED certification. The Term Sheets attached have been updated to clarify that one of many features of this project could include a building that is designed to a LEED Silver standard or other recognized environmental design standard. A requirement to build to a specific standard was not required but left open to the innovation of the developers with an indication that projects built to something higher than LEED Silver (or an equivalent) will be given preference.

EXECUTIVE SUMMARY/ANALYSIS: Staff has prepared terms for a multi-step request for proposals process which will consist of first, a Request for Letters of Interest (LOI) and second, a

Request for Proposals (RFP) to market RDA-owned property located at 901 South Gale Street (the “Property”) for development. Attached are copies of the draft LOI and RFP term sheets, which include the offering terms for the Property. The RDA Board of Directors is asked to consider these terms and make a motion regarding the resolution.

ANALYSIS & ISSUES: The RDA owns 0.26 acres of vacant land at 901 South Gale Street in the Granary District (the “Property”). The Property lies on the corner of 900 South and Gale Street (350 West) to the south of the City’s former Fleet Block and is zoned D-2 (Downtown Support District 2). While the development plans and timeline for the Fleet Block are not determined at this time, the RDA has recently received increased interest regarding the Property. The following two-step process will provide an opportunity for an innovative and uniquely sustainable development on 900 South to increase interest in this neighborhood and to complement other RDA development projects one and a half blocks to the east in the Central Ninth neighborhood. The RDA will consider a reduction in the sales price of the land based on the degree to which the project demonstrates exceptional innovation in building design, architecture, and use of energy-conserving practices.

The Process: The multi-step request for proposal process will entail up to two submission steps for interested developers. The first step will be a public request for Letters of Interest (LOI) to allow developers an opportunity to describe their project concept in writing and define how it will meet the Development Objectives (see term sheets) without having to expend funds on drawings and full-length proposals early in the process. The terms for this LOI are attached. Letters of interest received will be reviewed by RDA and Sustainability Division staff. A short list of developers will be created based on the project descriptions provided and the degree to which the proposed projects meet the Development Objectives.

The second step of the process will include an invitation to the short list of developers to submit development proposals as described in the attached term sheet for the Request for Proposals. A Selection Committee comprised of a member from RAC, staff representatives from the RDA, Sustainability Division, Planning Division, and City Council, and one of the RDA’s on-call architects will review and evaluate these proposals and make a final developer selection.

PREVIOUS BOARD ACTION:

- *The Board has expressed an interest in guiding disposition of RDA properties by providing policy and budget direction that guides the sale of RDA property. The Board therefore is asked to consider the proposed guidelines of this solicitation.*

ATTACHMENTS:

- A. Granary District and Site Map
- B. Term Sheet for a Request for Letters of Interest
- C. Term Sheet for a Request for Proposals
- D. Resolution

ATTACHMENT "A"
GRANARY DISTRICT AND SITE MAP



ATTACHMENT “B”
TERM SHEET FOR A REQUEST FOR LETTERS OF INTEREST

First Step of Request for Proposals: Request for Letters of Interest: 901 South Gale Street

Property Description

Property Address: 901 South Gale Street (the “Property”)
Property Size: 0.26 Acres (11,325 square feet)
Current Condition: Vacant
Zoning: Downtown Support District 2 (D-2)

Development Incentive

The RDA seeks to incentivize a project that models a particularly innovative or unique development type or energy-efficient design. The reduction of the purchase price will correspond with the degree to which the project demonstrates exceptional design per the RDA’s Development Intent and Development Objectives for the project. Once a final developer selection is made through the multi-step Request for Proposals (RFP) process, the RDA will enter into an exclusive negotiation period with that developer, during which time, the RDA will consider reducing the purchase price of the Property for a project that exemplifies the Development Objectives. The RDA may also consider additional incentives for projects that indicate an exceptional level of long-term investment by the developer, exceptional design, and/or added costs to achieve sustainability goals.

RDA Intent for Development

It is the RDA’s intent that the development selected for the Property:

- Use innovative building design and architecture;
- Incorporate features that conserve energy and reduce the overall carbon footprint of the development;
- Contribute to the quality of building design and development in the Granary District;
- Promote the Granary District’s character as a unique urban neighborhood;
- Increase the number of individuals visiting, and living or working in the Granary District; and
- Contribute to a vibrant pedestrian environment on 900 South and Gale Street.

Development Objectives

Development of the Property should facilitate innovative and sustainably designed residential, commercial, or mixed-use development that fulfills the following objectives and complies with current zoning regulations:

- A. **Neighborhood Contributions Through Design:** The development should contribute to the Granary District's built environment through innovative design and architecture. The development will help establish the Granary District as a unique urban neighborhood within the greater downtown area that offers progressive examples of urban design. This development will include high quality and long-lasting façade materials (e.g., brick, glass, wood, metal, masonry). The building should be oriented toward 900 South and Gale Street with parking accessed from the alleyway.
- B. **Neighborhood Contributions Through Use and Programming:** The uses and programming should increase the number of people visiting, working, or living in the neighborhood and generate activity on the street. The various uses should complement and benefit one another. Some examples of development types and uses that could accomplish this objective include:
 - Unique tenant amenities and/or spaces;
 - Establishment of small and local businesses;
 - Amenities and/or services that attract the larger community; and
 - Uses or programming that contributes to a more vibrant Granary District neighborhood.
- C. **Sustainable Building and Site Design:** The development should incorporate sustainable design features and building practices that minimize consumption of energy generated off-site and have a minimal carbon footprint. Some examples of elements that could be incorporated in order to address this objective include:
 - Use of alternative, non-fossil fuel energy sources;
 - A building that is designed to be "off the grid;"
 - A net-zero energy or net-zero electricity building; or
 - A building that is designed to a LEED Silver standard or higher, or an equivalent level of environmental design such as Green Globe, etc. Preference will be given to projects that demonstrate higher levels of environmental design.

Requirements for Submission of Letters of Interest

Please provide a letter of no more than 2 pages that addresses the following:

1. Statement of developer's interest in the project and the Granary District neighborhood.
2. Description of the proposed development and how it addresses the corresponding Development Objectives:
 - a. Neighborhood Contributions Through Design
 - b. Neighborhood Contributions Through Use and Programming
 - c. Sustainable Building and Site Design
3. Brief description of the project's development team and relevant experience.

Developer Selection

The Request for Letters of Interest will have a deadline of 30 days for submissions. Letters received will be reviewed by RDA and Sustainability Division staff. A short list with a maximum of five developers will be created based on the project descriptions provided and to what degree the proposed projects meet the Development Objectives. If no letters are received, or if letters received do not meet the Development Objectives, the Request for Letters of Interest will be reissued for up to 60 days more.

Those developers selected for the short list will be invited to submit development proposals for the Property (see the Terms for Request for Proposals).

Selection Criteria

The following will be the criteria by which the Selection Committee will evaluate letters of interest:

1. Developer Intent: To what degree does the developer's interest in and purpose for the proposed development align with the RDA's Intent for Development?
2. Development Objectives: How well does the development description address the various Development Objectives?
3. Developer Qualifications: To what degree do the developer and development team appear to possess the qualifications and experience necessary to plan, design, and build the proposed development?
4. Feasibility: Does the proposed project seem generally reasonable and feasible?

Property Listing

The Request for Letters of Interest (LOI) will be distributed free of charge to all interested parties. Notices will also be placed in the local newspapers, as well as the RDA's website and Salt Lake City's Purchasing and Contract Management Division Online Bid system. A sign declaring the Property is available and listing the appropriate contact person will be placed on the site and will remain in place until an Agreement is executed.

The LOI request will be issued before May 30, 2015. Responses will be due 30 days after issue. If no letters are received, or if letters received do not meet the Development Objectives, the Request for Letters of Interest will be reissued for up to 60 days more. If no offers are received on or before the LOI deadline or RDA staff does not recommend the selection of a developer, the RDA will market the Property for development under the terms of the Request for Proposals (RFP) with the exception of making the RFP public and not by invitation.

ATTACHMENT “C”
TERM SHEET FOR A REQUEST FOR PROPOSALS

**Second Step of Request for Proposals: Request for Proposals from Selected Developers:
901 South Gale Street**

By Invitation Only

This Request for Proposals is made by invitation only from the RDA to parties selected through the process for the Request for Letters of Interest regarding the Property.

Property Description

Property Address: 901 South Gale Street
Property Size: 0.26 Acres (11,325 square feet)
Current Condition: Vacant
Zoning: Downtown Support District 2 (D-2)

Purchase Price

The purchase price for the Property will be determined by an appraisal. All proposals must include a purchase price offer for the land with an explanation of the offer. During exclusive negotiations, the RDA will consider reducing the purchase price for a project that models a unique or particularly innovative development type or energy-efficient design. The reduction of the purchase price and consideration of any other incentives will correspond with the degree to which the project demonstrates exceptional design per the RDA’s Intent for Development and Development Objectives for the project.

RDA Intent for Development

It is the RDA’s intent that the development selected for the Property:

- Use innovative building design and architecture;
- Incorporate features that conserve energy and reduce the overall carbon footprint of the development;
- Contribute to the quality of building design and development in the Granary District;
- Promote the Granary District’s character as a unique urban neighborhood;
- Increase the number of individuals visiting, and living or working in the Granary District; and
- Contribute to a vibrant pedestrian environment on 900 South and Gale Street.

Development Objectives

Development of the Property should facilitate innovative and sustainably designed residential, commercial, or mixed-use development that fulfills the following objectives and complies with current zoning regulations:

- A. Neighborhood Contributions Through Design: The development should contribute to the Granary District's built environment through innovative design and architecture. The development will help establish the Granary District as a unique urban neighborhood within the greater downtown area that offers progressive examples of urban design. This development will include high quality and long-lasting façade materials (e.g., brick, glass, wood, metal, masonry). The building should be oriented toward 900 South and Gale Street with parking accessed from the alleyway.

- B. Neighborhood Contributions Through Use and Programming: The uses and programming should increase the number of people visiting, working, or living in the neighborhood and generate activity on the street. The various uses should complement and benefit one another. Some examples of development types and uses that could accomplish this objective include:
 - Unique tenant amenities and/or spaces;
 - Establishment of small and local businesses;
 - Amenities and/or services that attract the larger community; and
 - Uses or programming that contributes to a more vibrant Granary District neighborhood.

- D. Sustainable Building and Site Design: The development should incorporate sustainable design features and building practices that minimize consumption of energy generated off-site and have a minimal carbon footprint. Some examples of elements that could be incorporated in order to address this objective include:
 - Use of alternative, non-fossil fuel energy sources;
 - A building that is designed to be "off the grid;"
 - A net-zero energy or net-zero electricity building; or
 - A building that is designed to a LEED Silver standard or higher, or an equivalent level of environmental design such as Green Globe, etc. Preference will be given to projects that demonstrate higher levels of environmental design.

RFP Submission Requirements

1. Statement of developer's interest in this type of project and in development in the Granary District neighborhood.
2. The proposed purchase price being offered for the Property and a brief explanation indicating the primary reasons for the offer.
3. A statement of how the proposed development addresses the corresponding Development Objectives (additional details should be included in *Submission Requirement 3* below):
 - a. Neighborhood Contributions Through Design
 - b. Neighborhood Contributions Through Use and Programming
 - c. Sustainable Building and Site Design
4. Project Description: A written description of the proposed development, including the following information:
 - a. A description of the types of uses (e.g., residential, office, restaurant, etc.) included in the development, as well as any uses that are unique or new to the Salt Lake City market and why these uses are being proposed.
 - b. A description of the architecture and design.
 - c. A description of all environmentally-focused and energy efficient design elements, programs, and practices that will be incorporated into the design and/or construction of the proposed development.
 - d. A description of how the development's design and programming will contribute to a more vibrant and active street (900 South and Gale Street).
5. Project Drawings: The developer shall provide the following project drawings:
 - a. *Conceptual Site Plan*: Showing auto and pedestrian circulation, building foot print, any proposed parking, water-wise landscaping, energy collection or storage facilities, and any mechanics that are important to the energy-efficiency of the building.
 - b. *900 South and Gale Street Elevation Drawings*: The elevation drawings should identify façade materials and any other design elements the applicant deems necessary to communicate the intent of their proposal.
 - c. *Other Drawings or Renderings*: Any other relevant graphics that the developer feels will best convey the intent of and vision for the proposed development.
6. Project Proforma: A preliminary estimate of the project's cost and potential revenue. This should include a brief description of how the

developer anticipates funding the project and an indication of the developer's intention, if any, to utilize the RDA's New Construction Loan Program and for how much.

7. Statement of Qualification:
 - a. Identification of the legal entity with whom the Agency would contract and identification of any single purpose entity.
 - b. Identification of the developer, including potential joint venture or limited partners.
 - c. The developer's previous relevant experience, including, descriptions of previous projects, photos of previous projects, description of role in previous projects, current status of previous projects, and contacts from previous projects.
 - d. Organizational and management approach, and role of each development partner and major consultant in the implementation of the development.
 - e. To the extent possible, identification of key individuals and consultants on the development team who would be involved in the negotiations, project design, and implementation, including their background and experience.
8. Financial Capacity: A description of the financial capacity of the developer. The selected developer will be required to submit additional financial information about the development entity and owners or partners within the entity during the Exclusive Negotiation Period.
9. Down Payment: Along with the proposal, the developers shall submit a check (certified or cashier's) made payable to the Redevelopment Agency of Salt Lake City in the amount of \$1,000.00 to serve as a deposit. Deposits will be returned to the developers who are not selected. The selected developer must submit an additional \$2,000, in the form of a certified or cashier's check, within 10 days of being notified that they were selected or the RDA will begin negotiations with the second-ranked developer. The total deposit made by the selected developer will be credited toward the developer's earnest money deposit under the Option to Purchase Agreement. The earnest money deposit will be applied to the purchase price at closing.

Developer Selection

The submittals will be reviewed by a Selection Committee comprised of representatives of the Redevelopment Advisory Committee, Sustainability Division, Planning Division, RDA, and City Council staff. The Selection Committee will select between one and three development proposals and rank them, or select no developers. The RDA will enter into exclusive

negotiations with the first-ranked developer. If a developer is unable to close on the project during this time, the RDA may enter into exclusive negotiations with the next highest ranked developer approved by the Selection Committee.

If no offers are received on or before the RFP deadline or the Selection Committee does not recommend the selection of a developer, the RDA may continue to offer the Property for development and the RDA Executive Director shall have the authority to determine the process by which subsequent development proposals are reviewed and submitted to the Selection Committee for approval.

Selection Criteria

The following will be the criteria by which the Selection Committee will select the first- and second-ranked development proposals:

1. Complete Proposal: Did the developer submit a complete proposal that includes all of the information requested?
2. Developer's Vision: Does the developer provide a clear vision about the proposed development, its unique and innovative features, and how it will enhance and strengthen the Granary District?
3. Scope of Development: How well and to what extent does the development proposal address and/or exceed the RDA's Intent for Development and Development Objectives:
 - a. Neighborhood Contributions Through Design
 - b. Neighborhood Contributions Through Use and Programming
 - c. Environmentally-Focused Building and Site Design
4. Developer Qualifications: To what degree do the developer and development team possess the qualifications and experience necessary to plan, design, and build the proposed development?
5. Financing: Does the developer have the necessary financial expertise and backing to complete the proposed project?

Design Review

This design review process will require the selected developer to obtain approval for the Basic Design, Schematic Design, Design Development, and Final Construction Documents for the proposed development. A Design Review Committee comprised of representatives from the Redevelopment Advisory Committee, RDA staff, Planning Division Staff, the professional urban design community, and other expertise as needed from within Salt Lake City staff shall be responsible for the review and approval of the Schematic Design, Design Development, and Final Construction Documents.

Basic Design: The Basic Design drawings shall consist of the drawings that were submitted in response to the RFP and any modifications to the development proposal required by the Selection Committee as part of their approval of first- and second-ranked developers. The selected developer will be expected to present the Basic Design to the Ballpark Community Council (which meets only every three months).

Schematic Design: The schematic design shall be conducted when the design is 30% complete. The submittal shall include a narrative description of the development, a presentation site plan, exterior concept elevation drawings, and two project sections.

Design Development: The Design Development submittal shall include the 60% complete construction documents. The submittal will include samples of exterior materials, as well as drawings that specify the location and appearance of all exterior design features.

Final Construction Documents: The Final Construction Documents submittal shall include all drawings, specifications, and related documents necessary for construction of the development.

Legal Documents

A summary of the RDA's standard legal requirements will be attached to the offering with a statement that the full documents are available upon request. The agreements will be negotiated and executed after the developer has been granted the exclusive right to negotiate.

Option to Purchase Agreement

The Option to Purchase Agreement will be negotiated during the period of exclusive negotiations and will be signed at such time as the Board approves the agreement's terms. The exclusive negotiation period shall not exceed nine months. As a condition of the RDA's obligation to sell the Property, the developer must demonstrate its financial ability to acquire and develop the Property.

Development Agreement

At closing, the developer must enter into a standard Development Agreement with the RDA to construct and oversee the marketing of the development. The terms of the Development Agreement will require the developer to provide personal guarantee(s) and payment and performance bonds.

CC&Rs

The developer will be required to prepare and record CC&Rs against the Property specifying the rules for the use and maintenance of any shared improvements.

Title

The developer must accept a Special Warranty Deed subject to a right of reverter in favor of the RDA in the event of default.

Closing

Closing shall be contingent on the developer receiving the requisite approvals of the Final Construction Documents, construction estimate, marketing plan, project proforma, and building permit, as well as all other conditions of closing that are negotiated during the exclusive negotiation process. The RDA will close simultaneously with the developer's construction financing.

Schedule

The developer will prepare a development schedule in consultation with RDA staff, highlighting major milestones such as closing, start of construction, and project completion.

Property Listing

The Request for Proposals (RFP) will be distributed free of charge by invitation only to developers selected through the process involving responses to the Request for Letters of Interest regarding the Property. Once the RFP is issued, responses will be due 90 days after issuance.

If no offers are received on or before the RFP deadline, or the Selection Committee recommends no developers, the RDA may offer the Property for development to the general public and the RDA Executive Director shall have the authority to determine new criteria by which subsequent development proposals are evaluated by the Selection Committee. The RFP will be distributed free of charge to all interested parties. Notices will also be placed in the local newspapers, as well as on the RDA's website and Salt Lake City's Purchasing and Contract Management Division Online Bid system. A sign declaring the Property is available and listing the appropriate contact person will be placed on the site and will remain in place until an Option to Purchase Agreement is executed.

Miscellaneous

1. Such other terms as required by RDA attorney.
2. The selected Developer shall agree not to contest the formation of any assessment district that shall include Property and be used for the purpose of infrastructure installation, maintenance and/or programming.
3. Pending RDA approval, and per the RDA Logo Usage Guide and RDA Acknowledgement Guide, the selected developer will be required to include the RDA logo and names, and acknowledge the RDA's contributions or assistance to the project.
4. The selected Developer shall agree to provide a written Project Report to the RDA and County Assessor within 2 weeks of receiving a Certificate of Occupancy. The report shall include the following information:
 - a. Total square footage of Property improvements.

- b. Total development cost.
 - c. Description of the development.
 - d. Lease rates for the development.
5. The selected Developer shall agree to provide an annual leasing report to the RDA and County Assessor that discloses the lease rates being charged to all tenants.

RESOLUTION OF THE BOARD OF DIRECTORS OF THE REDEVELOPMENT AGENCY OF SALT LAKE CITY APPROVING THE TERM SHEETS FOR THE REQUEST FOR LETTERS OF INTEREST AND REQUEST FOR PROPOSALS FOR PROPERTY LOCATED AT 901 SOUTH GALE STREET AND AUTHORIZING THE PREPARATION AND DISTRIBUTION OF THE REQUEST FOR LETTERS OF INTEREST AND REQUEST FOR PROPOSALS.

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 Granary District Redevelopment Project Area Plan on April 15, 1999; and

WHEREAS, the Salt Lake City Council adopted the Central Community Master Plan on November 1, 2005; and

WHEREAS, the Agency adopted the West Temple Gateway and Granary District Redevelopment Strategy on June 7, 2011; and

WHEREAS, the Agency owns the following property in the Granary District Project Area: 901 South Gale Street (the “Property”); and

WHEREAS, the Agency plans to redevelop its property in the Granary District Project Area in accordance with objectives set forth in the Granary District Redevelopment Project Area Plan, Central Community Master Plan, and West Temple Gateway and Granary District Redevelopment Strategy; and

WHEREAS, the Agency intends to market the Property for redevelopment through a public process utilizing a multi-step request for proposals process consisting of first a Request for Letters of Interest for the Property (LOI); and second a Request for Proposals from the potential developers chosen from the LOIs.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE REDEVELOPMENT AGENCY OF SALT LAKE CITY, that we do hereby approve the multi-step request for proposal process consisting of a Request for Letters of Interest (LOI) and Request for Proposals (RFP), which are to be based upon the term sheets for the Property (the “Term Sheets”) attached hereto.

BE IT FURTHER RESOLVED THAT we do hereby authorize the Chief Administrative Officer and the Executive Director to prepare and distribute the LOI and RFP incorporating the terms in the Term Sheets for the Property. The Term Sheets, LOI, and RFP 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 April 2015.

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: _____

Damon Georgelas