

REDEVELOPMENT AGENCY STAFF MEMO

DATE: December 8, 2015 **ITEM#:** 8.D.
PREPARED BY: D.J. Baxter
RE: Consideration and Adoption of a Resolution of the Board of Directors of The Redevelopment Agency of Salt Lake City Approving an Exclusive Negotiation Agreement with The LaSalle Group Regarding the Development of RDA-owned Property Located at 144 and 156 South Main Street.

REQUESTED ACTION: Approval of a Resolution to enter into an Exclusive Negotiation Agreement with The LaSalle Group for development of the Utah Theater property.

POLICY ITEM: Central Business District Strategic Plan
Objectives: 2, 3, 4, 6, and 8; Implementation Project
Prioritization: Utah Theater Redevelopment.

BUDGET IMPACTS: None.

EXECUTIVE SUMMARY: For the purpose of developing the Utah Theater located at 144 and 156 South State Street (the "Property"), RDA staff requests direction from the Board of Directors (the "Board") regarding whether or not to enter into an Exclusive Negotiation Agreement (the "Agreement") with The LaSalle Group (the "Developer").

REDEVELOPMENT ADVISORY COMMITTEE RECOMMENDATION: The Redevelopment Advisory Committee (RAC) reviewed the request to enter into the Agreement with the Developer on November 23, 2015 and recommended that the Board authorize staff to enter into the Agreement.

ANALYSIS AND ISSUES: The RDA purchased the Property in January 2010 with a two-fold purpose in mind: 1) renovate the Theater portion of the Property and 2) activate Main Street. Since acquiring the Property, the RDA has fielded inquiries from different groups seeking to purchase and repurpose the Property, but next-level discussions have yet to happen.

Policy and procedure permits the direct sale of RDA-owned property to an adjacent property owner. The RDA was approached by the Developer, which owns the parcel immediately south (160 South Main Street) of the Property, and requested to enter into the Agreement to develop the Property (see attachment) under the parameters of the two-fold purpose mentioned above.

RDA staff considered the request and recommends that the RDA enter into the Agreement with the Developer.

Terms of the Agreement will only be finalized upon later approval of the Board, but the following terms are proposed:

- Two-year term; during the first year, parties will work together to perform due diligence on the property and develop a project proposal.
- At the end of year one, a formal development proposal will be presented for RDA consideration and approval;
- The formal development proposal shall include
 - a description of the development team (i.e., Developer, Investor(s), and Operator/Programming Group for the theater portion of the project) and the team's relevant experience and
 - a description of the intended uses for the Property;
 - A proposed financial structure for the transaction, including purchase price of the property, long-term ownership of the theater, and intended sources of funds.
- If the development proposal is approved, RDA and Developer will execute an Option to Purchase Agreement;
- During year two, the Developer will complete design and financing for the project
- Close on the Property at the end of year two, or as soon as building permits have been secured; and
- Developer will fund \$35,000 (approximately 50%) of the financial evaluation study that is currently underway (see attachment). This amount will be fully refundable during year one, but becomes a non-refundable earnest money deposit at the beginning of year two.

PREVIOUS BOARD ACTION:

- December 2009: Authorized Purchase of Property
- June 2010: Approved an Interim Use Plan for the Property
- June 2012: Approved Funding to Assist Salt Lake County with a Study to Determine Schematic Design and Capital Improvement Costs for a New Utah Film and Media Arts Center
- July 2015: Authorized Funds in the CBD Operations Plan for Utah Theater Redevelopment

ATTACHMENTS:

- A. Resolution
- B. Letter of Intent
- C. Financial Evaluation Scope of Work

RESOLUTION NO. 764.____

December 8, 2015

RESOLUTION OF THE BOARD OF DIRECTORS OF THE REDEVELOPMENT AGENCY OF SALT LAKE CITY APPROVING TO ENTER INTO AN EXCLUSIVE NEGOTIATION AGREEMENT WITH THE LaSALLE GROUP REGARDING THE DEVELOPMENT OF RDA-OWNED PROPERTY LOCATED AT 144 AND 156 SOUTH MAIN STREET.

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 “C.B.D. Neighborhood Development Plan” on May 1, 1982; and

WHEREAS, the RDA adopted the Central Business District Project Area 2014-2019 Strategic Plan; and

WHEREAS, The LaSalle Group (the “Developer”) wishes to enter into an Exclusive Negotiation Agreement (the “Agreement”) with the RDA for the purpose of developing RDA-owned property at 144 and 156 South Main Street (the “Property”, also known as the Utah Theater; and

WHEREAS, the terms of the Agreement will be finalized upon approval of the Board; and

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE REDEVELOPMENT AGENCY OF SALT LAKE CITY, that we do hereby approve entering into the Agreement with the Developer.

BE IT FURTHER RESOLVED THAT we do hereby authorize the Chief Administrative Officer and the Executive Director to finalize the terms of the Agreement, which 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 8th day of December, 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:

November 18, 2015

Redevelopment Agency of Salt Lake City
Board of Directors
451 South State Street
Salt Lake City, Utah

Re: Utah Theater Development Proposal

Dear Directors:

As a long time business owner and land developer in Salt Lake City, as well as an adjacent land owner to the Utah Theater property, I am requesting a Two (2) year Exclusive Right to negotiate for the purchase of the Utah Theater property.

- During the first 12 months, we would work collaboratively with the RDA to evaluate the condition of the building, and jointly create a development proposal that would meet our business objectives and the RDA's community objectives.
- After 12 months, a formal development proposal will be presented to the RDA Board for your consideration and approval.
- Upon approval, our organization and the RDA will execute an Option to Purchase Agreement that specifies the terms of the sale.
- At, or before the end of year two (2), once design and financing are complete, and building permits issued with full RDA design and use approval, we would execute our Option to Purchase with the RDA.
- As this will be a complicated project to design and fund, so long as we are making steady progress, we would like the ability to extend the Option to Purchase for an additional year if necessary.

Development Team-

While our Development Team will require an additional investor and experienced Entertainment Operator for the theater, we are confident that we can fill those areas with one of several candidates that we have already had conversations with for each position. As for us, we have developed numerous properties in Salt Lake City with great success, including our most recent development on 3rd South and 3rd East that opened earlier this year, now home to CURRENT Fish & Oyster, Under Current Club and Odd Fellows Market Place.

Overall, we own and operate ten (10) businesses locally with control and ownership of the real estate at each location. Our retail entities provide an impressive tax base for Salt Lake City and the State of Utah, with more than Twenty-Five Million Dollars (\$25,000,000.00) in annual sales and growing. Destination locations such as Café Trio, The Oasis Café and Golden Braid Book Store, Faustina, Kyoto, Fresco, and Café Niche are all part of our Restaurant and Retail group.

Intended Use-

Our proposal for use will include a state-of-the-art music and theater venue, which we could either own or lease from the RDA. We anticipate bookings for 2nd tier entertainment with musicians, musical entertainers, comedians and national circuit groups who currently book a variety of shows throughout

the city at less than appropriate venues. There will also be opportunities for 1st tier entertainment that require a specific venue guideline that only we can provide in terms of space and availability.

We also intend to develop the entire frontage on Main Street, which will include street level retail space for tenant use and a full-service main dining room restaurant for service to residents and visitors, Utah Theater patrons, Performing Arts patrons, and the surrounding business district communities. This top-quality affordable venue will also provide hospitality options for all private functions that the theater may book which include but are not limited to-

- Receptions
- Corporate Events
- Sundance Film Festival
- Outdoor Retailers
- Private Screenings
- Fund Raising Events
- Proposed Dinner Theater Events
- "Off Broadway" bookings
- Rainbow Room Dinner/Dance events
- Supplemental space to Convention Center and Convention Center Hotel.

We also anticipate the possibility of a residential tower as part of the development, which we believe would add to the Main Street experience and create more financial opportunities as we look to fund the project. There are several inherent barriers in considering this element of the project, but our conversations thus far with potential developers warrant further exploration.

In any case, it is our intention to preserve and utilize the obvious elements of the theater as well as the entry and hallway that, in our opinion, are critical to the success of the project. It is also our objective to create an exterior façade for the project that would complement the existing interior architecture with materials and design that would truly dominate and electrify this block of Main Street, much like the theater districts of New York, San Francisco, and Chicago. (I'm getting really excited just writing this down on paper!) Think of it... the Eccles Theater, Capital Theater, Next door to Capital Theater and The UTAH Theater on Main- the theater district.

Taking Care of Business-

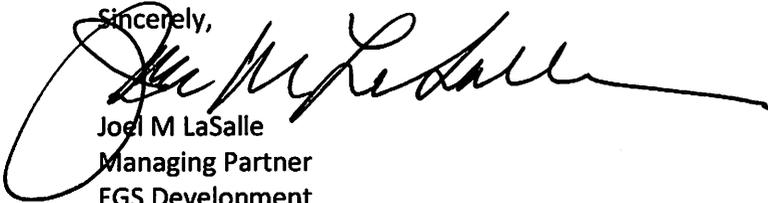
It is our understanding that a financial evaluation is already in process for the project. We ask for your immediate consideration as we would appreciate the opportunity to develop our adjacent property as part of or in coordination with the overall project. We would also be a driving force for this project as we have proven on many occasions that we have the capability to reform and renovate distressed properties into something special. We offer the following guidelines as possibilities for an anticipated transaction.

- We would offer to participate in half of the expense (\$35,000.00) for the financial evaluation currently underway, which would be refundable for a twelve (12) month period and utilized as a non-refundable deposit toward purchase after the twelve (12) month mark.
- Appraised land purchase price subject to write down possibility for theater renovation.
- We would anticipate utilizing Historic Renovation Tax Credits and/or New Markets Tax Credits as part of our proposal.
- We would want to utilize any Land Write Down opportunities that you can make available to us or assist us in obtaining.

- We would want to explore private donor financing if applicable as well as other program options we are exploring and any city, state or county financing or funding that may be available to us for this project.
- The RDA will retain the right of first refusal to repurchase the theater portion of the project.
- We are also open to a deal structure in which RDA retains ownership of the theater itself, subject to a long-term lease to us for the uses that we will specify in a Development Agreement.
- A Preservation Easement for The Utah Theater will be granted to the Utah Heritage Foundation once the renovation is complete.

We thank you in advance for time in this matter and hope that you feel to contact us for any additional information or points of clarification you may require. We also wish to make ourselves available to the Board for continuing discussions that may help aid you in your decision.

Sincerely,

A handwritten signature in black ink, appearing to read "Joel M LaSalle". The signature is fluid and cursive, with a large loop at the beginning and a long horizontal stroke at the end.

Joel M LaSalle
Managing Partner
EGS Development
LaSalle Restaurant Group
Golden Braid Oasis LLC

801-792-4200



Public Institutions
Jones Lang LaSalle Americas, Inc.
601 Union Street, Suite 1100
Seattle, Washington 98101

September 28, 2015

David Arteaga
Senior Project Manager
Redevelopment Agency of Salt Lake City
451 South State Street, Room 404
Salt Lake City, UT 84114-5518

Dear David:

JLL is pleased to provide to the Redevelopment Agency of Salt Lake City (RDA) the attached proposal for services related to the analysis of development alternatives for the Utah Theater site. JLL shall prepare the Scope of Services described in Attachment 'A' for a Fixed Fee of \$68,000, plus reimbursement of all project-related travel expenses incurred such as air fare, lodging, rental car, meals, tolls, parking, etc. JLL shall submit invoices to the RDA monthly based on percent complete of the Scope of Services.

For an additional \$5,000, JLL will provide simple massing diagrams using sketch up (or similar software) that depict the configuration and relative dimensions of any new development contemplated in each scenario.

Please contact either myself or Andrew Phillips at (619) 410-6390 with any questions or comments. If you accept the proposed scope and fee, please acknowledge by providing your signature below.

Best Regards,

A handwritten signature in black ink that reads "Bob Hunt".

Managing Director, Public Institutions
(206) 354-1397
Bob.Hunt@am.jll.com

Approval of Scope of Services and Fee:

David Arteaga
Senior Project Manager
Redevelopment Agency of Salt Lake City

Date

ATTACHMENT ‘A’

I.	Background	<p>The RDA acquired the two properties located at 144-156 South Main Street, which includes the Utah Theater (parcel 229-068) and the adjoining retail building (parcel 229-070) (the “Site”), in downtown Salt Lake City in January 2010. While several studies have been conducted on the Site by third party consultants and interested user groups of the Site, there is not currently an assessment of development alternatives or a clear viable path forward for the Site’s rehabilitation and reuse. The 0.89-acre Site includes the Utah Theater that was constructed between 1919 and 1921 but has been significantly modified and is in need of significant rehabilitation to become code compliant and in a condition for reuse. The RDA’s objective is to develop the site in a way that best facilitates the activation of Main Street, and the rehabilitation and reuse of the theater as an artistic venue that is open to the public.</p>
II.	Purpose	<p>To generate financially viable development options that will be used to support policy discussions regarding the redevelopment of the Site.</p>
III.	Assumptions	<ol style="list-style-type: none"> 1. Two broad development alternatives may be assumed. <ol style="list-style-type: none"> a. The Theater is rehabilitated and reused in its existing configurations at a minimum cost to only include seismic, MEP, major repairs and new carpet and paint. The 2009 cost estimate provided by DUNN and Associates, escalated to 2016, will be the used to determine seismic upgrade costs b. The Theatre is remodeled to the level provided in the 2014 cost estimate cost estimate for the Film and Media Arts (“Media Arts Proposal”) This cost will be used (with appropriate cost escalations) as a basis for the Theater’s adaptive reuse for the specifications and purposes described in the Media Arts Proposal.
IV.	Exclusions / Limitations	<ol style="list-style-type: none"> 1. Site plans, massing diagrams or architectural elevations depicting the proposed alternative development scenarios (can be provided as an “add alternative” for an additional \$5,000) 2. A maximum of (2) development and reuse scenarios shall be explored and analyzed. 3. Attendance at one (1) project initiation meeting and (1) Site tour. 4. Attendance at one (1) Interim presentation to staff , one (1) optional interim presentation to the RDA Board, and two (2) presentations of final findings and recommendations. <ol style="list-style-type: none"> a. Redevelopment Advisory Committee b. RDA Board
V.	JLL Services	<ol style="list-style-type: none"> 1. Provide a list of examples where a theater is rehabilitated or incorporated into a new development. The List shall include the following for each example: <ol style="list-style-type: none"> a. Photo(s) b. Address c. Year Built

		<ul style="list-style-type: none"> d. Brief description of the Development, including (if available): <ul style="list-style-type: none"> i. Overall Cost of the Project ii. Cost associated with theater portion iii. Any relevant features of financial structure that might provide a good model for the Utah Theater 2. Identify the highest-and-best use for the development of the Site under current zoning. The description shall include at a minimum: <ul style="list-style-type: none"> a. Proposed Uses b. Estimated Square Footage c. Building Dimensions d. Estimated Cost to Construct 3. Implementation Strategies <ul style="list-style-type: none"> a. Based on the analysis in items #1 and #2 above, provide potential development options for the Site. The options must be compatible with the Assumptions and take into account regulatory constraints, neighborhood realities, and reasonable market assumption. Each Option shall include: <ul style="list-style-type: none"> i. Estimated building dimensions ii. List of Proposed Uses iii. Estimated square footage per use iv. Estimated cost to construct v. An assessment of the degree to which the commercial project could provide financial support to the renovation or operation of the theater 4. Based on feedback from the RDA, provide redevelopment analysis for the preferred development option for the Utah Theater that includes the following: <ul style="list-style-type: none"> a. Identification of issues that need to be considered prior to marketing the Property, given the Assumptions. Examples included: <ul style="list-style-type: none"> i. Should the ownership of the Utah Theater and the remainder of the site be separated? b. Identification of marketing strategies to successfully identify and solicit potential developers of the Site. c. Identification of potential funding sources for the Site, including a discussion of the viability of the following: <ul style="list-style-type: none"> i. Revenues from the monetization of excess assets ii. EB-% iii. New Market Tax Credits iv. Historic Preservation Tax Credits
VI.	Deliverables	<ul style="list-style-type: none"> 1. Consolidated Report – All information shall be provided in a consolidated report. Consultant shall provide two bound copies of the report and a PDF copy. 2. PowerPoint Presentation – Consultant shall prepare a PowerPoint Presentation that includes the information from the report. The PowerPoint Presentation



		shall be provided in electronic form
VII.	Meetings	<ol style="list-style-type: none">1. Project Initiation2. Site Tour3. Interim presentation of HBU analysis4. Redevelopment Advisory Committee Presentation December 2015 (Optional)5. RDA Board Presentation December 8, 2015 (Optional)6. RDA Advisory Committee Presentation February 20157. RDA Board Presentation February 9, 20158. All other meetings shall be by phone or electronic meeting.