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From: City Attorney Lyn Creswell

To: City of South Salt Lake City Council

Subj: Utah Code 10-8-2 Study relating to lease of office space

1. The City currently leases Class B office space on the first floor of City Hall (220 East Morris Avenue) to the South Salt Lake Chamber. This lease has been in place since 31 July 2012. The City receives \$9,425.00 annually (\$15.30 per square foot) for the leased office space.
2. The Council desires to receive in-kind services from the Chamber as a substitute for the annual cash lease payment.
3. In preparation for this change in lease terms, I requested that our real estate professional, Rick Davidson, look at current market rates for similar Class B office space. I reviewed the information provided to me by Mr. Davidson and conclude that the current annual lease fee for the subject space is within the market.<sup>1</sup>
4. I next asked the Chamber to describe the proposed in-kind services which would be a substitute for the cash payment. That information was provided. The City (through Mike Florence) has confirmed both the need for and the comparative value, including intangible benefits, of the proposed services.<sup>2</sup>

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<sup>1</sup> Mr. Davidson provided me Class B office space listings on 15 November 2017. There were ten listings for Class B offices in Murray and Taylorsville. The average cost per square foot for these ten properties was \$15.52 (with the lowest in Murray at \$11.00 per square foot and the highest in Taylorsville at \$19.88 per square foot).

<sup>2</sup> The Chamber proposes to operate for the City a Business Resource Center for start-up and small businesses. Included in Center services will be regular classes for start-up and small business owners. The Center and training would be supported by a website managed by the Chamber. The anticipated Chamber staff time to support the Center and the website is 35 hours per month. There will be additional materials needed for the Center, related business owner training, and Center advertising and recruitment. The value assigned to the staff time is \$700 monthly. The value assigned to the materials is \$200 monthly. The assumed monthly market value of the Chamber Class B office space is \$785.42 monthly.

5. In order for the City to accept in-kind services in lieu of cash consideration for the disposition (including lease) of real property, the City must comply with Utah Code 10-8-2. That Code section requires the City to do the following:
  - a. Determine the market lease value of the subject property.
  - b. Identifying the net equivalent value to be received.
  - c. The City's legislative body must determine that the lease of the property is necessary and appropriate to accomplish reasonable goals and objectives of the municipality.
  - d. The City's legislative body must hold a public hearing fourteen (14) days or later after a study (which summarizes the City's findings and intent) has been made available to the public.
  - e. After a public hearing, the City Council must take into consideration the study and make findings that: the lease will provide for the safety, health, prosperity, moral well-being, order, comfort, or convenience of the City's inhabitants; and that the net value to be received by the City will constitute adequate consideration, or equivalent value, for the benefit being provided by the lease.
6. The attached study is proposed for your consideration. If approved by the Council, it should be made available for public review for fourteen days followed by a public hearing.
7. After a public hearing, the Council may decide to adopt the study and approve the necessary findings.

Attachment

***Utah Code Section 10-8-2 study relating to possible lease of Class B office space owned by the City of South Salt Lake***

The City of South Salt Lake ("City") owns approximately 616 square feet of Class B office space on the first floor of 220 East Morris Avenue, South Salt Lake. The 15 November 2017 market lease value of the subject Class B office space is approximately \$15.52 per square foot.

The South Salt Lake Chamber ("Chamber") currently leases the subject Class B office space from the City for an annual payment of \$9,425.00 or \$15.30 per square foot. The City intends to enter into a two-year lease with the Chamber for the subject Class B office space. In lieu of cash payment, the City intends to receive \$9,425.00 in valuable non-cash consideration for the lease of the Class B office space.

Section 10-8-2 of the Utah Code requires that the City's legislative body (City Council) identify the net equivalent value received in exchange for the lease of municipal property. The City Council has determined that the net equivalent value for the subject Class B office space is \$9,425.00 annually.

The Chamber has offered and the City intends to accept the following as annual net equivalent consideration for approximately 616 square feet of Class B office space located on the first floor of City-owned property located at 220 East Morris Avenue, South Salt Lake: \$9,425.00 of in-kind services through the establishment and operation of a South Salt Lake Business Resource Center. The Chamber will host and manage this Center, which will provide services to start-up and existing small businesses in the City. Specifically, the South Salt Lake Business Resource Center will: 1) provide counseling to small and start-up businesses; 2) connect and involve the following organizations (representative and not exclusive) in business outreach and support - Utah Microenterprise Loan Fund, Women's Business Center, Small Business Administration, and Miller Campus of the Salt Lake Community College; 3) conduct monthly business training to include the following topics - how to start and manage a small business, marketing and customer service, business plan writing, and human resource management; 4) create and regularly update a South Salt Lake Business Resource webpage; and 5) advertise and promote the South Salt Lake Business Resource Center throughout the City. The Chamber resources dedicated to the Center include: 1) 35+ staff hours monthly to conduct on-site and off-site business training, counseling, and partnership development; and management of the Center webpage; 2) website domain fees; 3) training, education, and recruitment/advertising materials.

The City intends to achieve the following purposes by receipt of the above in-kind services: establish and maintain a competitive and engaged business sector in the City; improve the economic situation of residents and employees by working to increase disposable incomes and assets; and promote the safety, health, prosperity, moral well-being, peace, and order among the City's businesses and business employees.

The receipt of the above value is further deemed necessary and appropriate to accomplish the reasonable goals and objectives of the City in the following areas: job creation, job retention, tax base creation, increased property values, reduction of poverty, blight reduction, community cohesion, and neighborhood revitalization.