

Meeting of the Redevelopment Agency of Sandy City

May 17, 2022 – Online/In Person Meeting
City Council Chambers, Sandy City Hall
10000 South Centennial Parkway, Sandy, Utah
MINUTES

Present: Present: Chairwoman Marci Houseman, Alison Stroud, Zack Robinson, Brooke D’Sousa, Ryan Mecham, Scott Earl, Cyndi Sharkey.

Mayor: Monica Zoltanski

Others in Attendance Lynn Pace, City Attorney, Christine Edwards, Council Office, Dustin Fratto Executive Director City Council, Tracy Cowdell, Council Attorney, Mike Gladbach, Public Works Director, Dan Medina, Parks and Recreation Director, Tom Ward, Public Utilities Director, Kasey Dunlavy, Economic Development Interterm Director, James Sorenson, Community Development Director, Brian Kelly Finance Director, Kim Bell, Deputy Mayor.

1. Motion to convene City Council meeting.

Motion was made by Chairwoman Marci Houseman to adjourn the meeting of the City Council and convene the Sandy City Redevelopment Meeting. Board member Zack Robinson seconded the motion with all voting “yes”

The Redevelopment Agency Meeting commenced at 9:53 p.m.

2. Discussion regarding Resolution RD 22-01 approving an SIB Loan Agreement, and associated Security Instrument, with Raddon Summit, LLC, to help fund a parking structure and related transportation improvements for the Summit Project in the Civic Center North Redevelopment Project Area.

Kasey Dunlavy presented to the RDA Board members. He provided background history of the resolution for the SIB loan agreement, noting that the current economic environment has been heavily impacted due to COVID. Inflation and the rising cost of construction has made it difficult to finance parking structures. He described that the developer and the staff recognized additional funding was needed to finance the parking structures within the Summit project. With Senator Cullimore’s assistance, House Bill 244 includes language to provide additional SIB loan funding for parking facilities. The SIB Loan is a “pass-through” loan where the City/RDA has secured the loan from UDOT, but the developer will be required to secure and pay the bulk of debt service on the loan. Senator Cullimore worked with sponsors of House Bill 244 to secure language which provided for UDOT to bond for \$30 million for local transportation projects, including parking facilities. This \$30 million in turn would be loaned to municipal governments to meet transportation impacted projects. Senator Cullimore identified the Summit Project as an appropriate and applicable project that could benefit from this

assistance. Staff worked with UDOT to secure the SIB Loan to assist in the financing of the parking structure and to enable this significant and important project to have the financial resources to be economically viable.

Kasey stated the Utah Transportation Commission approved the SIB loan application for the Summit Project on October 22, 2021. The City Council approved a Parameters Resolution acceptance of the loan on November 16, 2021. The terms are \$15 million to be amortized and back paid over 15 years by the developer. The RDA will make the first two payments on behalf of the Summit Project in FY 23 and 24. The Developer will make all other installment payments through and including FY 37. As long as the Developer does not default, the first two payments made by the RDA will be waived, and the Developer will not have to repay. However, if the Developer defaults, then the Developer will be obligated to reimburse the RDA for those first two installment payments (FY 23/24).

Kasey informed the Board of the purpose of the City / RDA Interlocal Cooperation Agreement. The ILA was needed between the City and the RDA to move the SIB funds from the City to the RDA. Accordingly, the City Council and RDA Board approved an ILA on November 16, 2021. This allows the RDA to become the funding “back stop” for the loan with the developer, and ultimately provides a way for Sandy City to have additional security on the loan. Kasey informed the board this does not take all the risk off the city if the RDA can’t make the payments. However, the RDA cash flow is healthy in Civic Center North. If this does happen there is significant cash flow in the project area.

The Raddon Development / RDA Agreement SIB loan is a “pass-through” loan where the RDA secures the loan via the City from UDOT, but the developer pays the debt service on the loan. Staff intended to take this loan agreement back to the RDA Board for approval on December 7, 2021. However, the decision was made to wait until the final interest rate and amortization schedule was set. The final loan rate was approved by the Transportation Committee on February 25, 2022.

As part of the original draft SIB Loan Agreement, the RDA agreed to make the first two installment payments with the second payment being amortized over the remaining 13 years to be paid back to the RDA by the developer. In early 2022, due to COVID impact on market conditions, specifically the impact on market values of hotels and additional construction inflation, the developer requested the Agency consider writing off the second-year payment in addition to the first, and not requiring the payment be paid by Raddon over the remaining loan period. Accordingly, staff asked Lewis Young Robertson and Burningham (LYRB) to review and determine the justification of Raddon’s request for the Agency to make the second-year payment. Based off the completed analysis and estimated future cash flow of the Civic Center North Project Area, LYRB concluded the additional public participation request is justified and necessary to achieve the density and desired use of the property. Kasey stated anytime a

developer requests assistance, the RDA makes sure there is a “but for” or needs analysis completed to justify the “but for” or need. The financial analysis has been included in the attached documents. Kasey recommended to the Board the RDA make the first two payments based on the need justification due to interest rate hikes including the developers exit cap rate. This rate increase alone has cost the developer a \$9 million dollar funding gap. With the RDA making this payment it will help make this project happen. It has been proven without these payments and without this loan, the gap on the parking structure and conference space would be too high. This funding option provides a low interest financing and funding mechanism to make this project happen. It is mutually beneficial not only for the developer but for the city and the RDA.

Kasey cited as part of the original draft loan agreement; the developer was to receive the \$15 million SIB Loan payment once the draft agreement was approved by the Agency Board. As a result of the updated payment request, and after further consideration of terms, the developer has agreed to additional requests by staff in the agreement which provides more security to the RDA. These include:

- 1- Developer will not receive loan proceeds until such time developer closes on and acquires the Hotel/Residential Phase of the property.
- 2- Agency will hold loan proceeds and until the developer can show and provide invoices for appropriate costs.
- 3- The RDA will not provide any funding until developer has incurred costs or lending obligations in an amount not less than the \$15 loan amount.
- 4- If the developer creates condominium units, those units can be sold and the RDA’s lien on such units(s) released in exchange for a prepayment of \$150,000 per unit.

Board member Cyndi Sharkey: Wanted clarification that this is a two-part phase, the garage gets built with phase one. Kasey answered the parking structure, hotel, and residential are phase one. There will be two parking structures. One with 1100 stalls that will serve the hotel and residential and then when the office section is built that will have a three-story parking structure with 550 stalls.

Board member Brooke D’Sousa made a motion to approve Resolutions RD 22-01 Board member Ryan Mecham seconded the motion

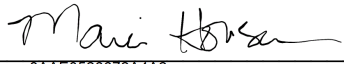
Vote:	Stroud Yes	Houseman Yes	Mecham Yes
	Earl Yes	Robinson Yes	Sharkey Yes
	D’Sousa Yes		

Motion Passed: Yes 7 , No 0

3. Board member D'Sousa made a motion to adopt the Minutes for November 9, 2021, and November 16, 2021. Board member Earl seconded. The minutes were approved with all voting yes.
4. Motion to adjourn Redevelopment Agency Meeting: Board Member Ryan Mecham made a motion to recess the meeting of the RDA. Board Member Zach Robinson seconded the motion, with all voting "yes".

The meeting recessed at 10:47 p.m.

ATTEST:

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Marci Houseman – Chairman

DocuSigned by:

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Cyndie Nell- Secretary

