



Redevelopment Agency of Sandy City

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Chair

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****MEMORANDUM****

To: RDA Board
From: Kasey Dunlavy, Interim Director
Date: May 4, 2022
RE: Summit Project: Raddon/RDA SIB Loan Agreement

The following Memo provides a background summary of the State Infrastructure Bank Loan, Interlocal Cooperation Agreement between Sandy City and the Sandy City Redevelopment Agency (RDA), and the SIB Loan Agreement between Raddon Development (“the developer”) and the RDA.

State Infrastructure Bank (SIB) Parking Structure Loan

In the current market, which has been heavily impacted due to COVID, inflation, and rising construction costs, financing for parking structures is extremely difficult. The developer and staff recognized additional funding was needed to finance the parking structures within the Summit Project. With Senator Cullimore’s assistance, House Bill 244 included 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.

SIB Legislative Background and Statutory Purpose

In the 2021 session of the Utah Legislature 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 local municipal governments to meet transportation impacted projects. Senator Cullimore recognized the difficulty many key projects were having to secure funding for parking structures and the effect on the success and sustainability of these 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.

Resolution and UDOT Loan Approval Process

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 Developer does not default, the first two payments made by the RDA will be waived and Developer will not have to repay. However, if Developer defaults, then Developer will be obligated to reimburse the RDA for those first two installment payments (FY 23/24).

City / RDA Interlocal Agreement (ILA)

Given the purpose of the loan is to secure funding for the Summit Project parking structures which has a contractual obligation through the RDA, an 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. The developer’s repayment obligation is secured by a deed of trust lien on the Summit Project, as well as by tax increment otherwise payable to the developer under an existing Tax Increment Participation Agreement.

Raddon Development / RDA Agreement

As mentioned above, the 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. The financial analysis is included in the attached documents.

Additionally, 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. These include:

- Developer will not receive loan proceeds until such time developer closes on and acquires the Hotel/Residential Phase of the property.
- Agency will hold loan proceeds and only disburse from time to time as formerly requested by developer for approved costs incurred by the development.
- Agency will not disburse proceeds until developer has incurred costs or third-party lending obligations in an amount not less the aggregate amount of disbursements made to the developer

(developer proves dollar for dollar match of investment into the project).

- If the developer creates condominium units, those units can be sold and the RDA's lien on such unit(s) released in exchange for a prepayment of \$150,000 per unit