

REPORT OF THE
SALT LAKE CITY ECONOMIC REVIEW PANEL
“The Store”
At
242 West 500 North
May 8, 2006

INTRODUCTION

The Economic Review Panel convened to hear a petition from the Redevelopment Agency of Salt Lake City, represented by Mack McDonald, Project Coordinator, to review the evidence of economic hardship in relationship to a request to demolish the structure known as “The Store” at 242 West 500 North, which is located in the Capitol Hill Historic District, pursuant to Section 21A.34.020(K)(3) of the Salt Lake City Zoning Ordinance.

DEFINITION AND DETERMINATION OF ECONOMIC HARDSHIP

Section 21A.34.020(K): The determination of economic hardship shall require the applicant to provide evidence sufficient to demonstrate that the application of the standards and regulations of this section deprives the applicant of all reasonable economic use or return on the subject property.

PROCEDURE FOR DETERMINATION OF ECONOMIC HARDSHIP

Section 21A.34.020 (K)(3): The Historic Landmark Commission shall establish a three-person Economic Review Panel. This panel shall be comprised of three real estate and redevelopment experts knowledgeable in real estate economics in general, and more specifically, in the economics of renovation, redevelopment and other aspects of rehabilitation. The panel shall consist of one person selected by the Historic Landmark Commission, one person selected by the applicant, and one person selected by the first two appointees. If the first two appointees cannot agree on a third person within thirty days of the date of the initial public hearing, the third appointee shall be selected by the mayor within five days after the expiration of the thirty-day period.

SELECTED MEMBERS

The Historic Landmark Commission selected Mr. Rob Fetzer, Developer, to represent the City; Ms. Valda Tarbet, Deputy Director of the Redevelopment Agency represented the applicant and Mr. Fetzer and Ms. Tarbet selected Darrin Liddell as the third member of the panel.

MAY 8, 2006 ECONOMIC REVIEW PANEL MEETING

The Economic Review Panel convened on May 8, 2006 at 451 South State Street, Room 126, in accordance with the Open Meetings Act. Present from the Economic Review Panel were Rob Fetzer, Darrin Liddell and Valda Tarbet. Present from the Planning Staff were Joel Paterson, Planning Programs Supervisor and Elizabeth Giraud, Senior Planner. Mack McDonald, Project Coordinator of the Redevelopment Agency was also present.

The panel selected Mr. Fetzer as the Chair.

The applicant submitted the following documents for review:

1. Economic Hardship Worksheet Annual Gross Income from Property
2. Annual Gross Income from Property
3. Income Sheet
4. Expense Sheet
5. Notice of Property Valuation and Tax Change
6. Appraisal of Real Property (2002)
7. Marketing Efforts
8. Responses from Marketing Efforts
9. Estimated Demolition and Renovation Costs
10. Report on Economic Feasibility of Renovation
11. Inspections of the Building
12. Engineering Costs

The panel members reviewed, analyzed and scrutinized each piece of evidence. Ms. Tarbet and Mr. McDonald were able to comment and clarify any questions on the submissions.

Ms. Giraud explained the process by which the Historic Landmark Commission denied the demolition of the Store, and relegated the “shotgun house,” located on the same parcel as the Store but addressed at 515 N. Arctic Court into the “gray zone.” The panel discussed the cost that the RDA paid for the Store, Shotgun house and the Nine-Plex at 248 W. 500 N. (\$126,000) and the price for which they marketed the Store (\$40,000). The panel discussed the appraisal and the inspections the RDA had provided in the information submitted to the panel. The panel reviewed the information submitted by AJC Architects regarding renovation costs (\$313,000) submitted in 2004. Using a contingency of 15 percent, the costs rose to \$360,000. Given the increases in costs of construction over the past two years, the panel agreed to adjust these costs to \$432,000. The panel arrived at a total cost estimate of \$560,000 to renovate the Store as four, two-bedroom units. This figure includes the renovation costs (\$432,000), the cost of the land (\$40,000), and soft costs to cover the developer’s profit margin, marketing, and transaction costs (\$88,000).

The panel determined that using the four units as rentals would not be economically feasible, and thus reviewed the economic possibilities of developing the Store as four condominium units. The panel estimated that the units could be marketed for between \$120,000 to \$150,000. The panel then asked for comparables for condominiums in the area bounded by 300 North, I-15, 800 North and Center Street. The prices ranged from \$35,000 to \$124,000 per condominium unit.

Ms. Tarbet made the following motion:

1. That the property has not and does not provide an economic return to the property owner.

2. That the property owner has marketed the property three times without success. The marketing has included both national and local advertising and a sales price at land value only. Potential developers have withdrawn from pursuing any of the renovation.
3. That as part of the marketing effort and subsequent discussions with interested parties, no reasonable economic return could be attained regardless of whether developed as rentals or condominiums primarily because of the complexity and cost of rehabilitating the structures as verified by architects, engineers, contractors, and developers.

Based on these findings of fact the Economic Review Panel concludes that there would be an economic hardship on the property owner to retain the structures and therefore recommend granting of a demolition permit.

Mr. Liddell seconded. Mr. Fetzer called for a vote. The motion passed unanimously.

Submitted by

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