



CITY COUNCIL TRANSMITTAL

DATE: July 2, 2024

TO: Council Chair Victoria Petro
Council Vice Chair Chris Wharton
Council Members

PREPARED BY: Katie Lewis, City Attorney
Rachel Otto, Mayor’s Chief of Staff

RE: Initial Discussion Regarding Major Terms in Capital City Revitalization Zone Participation Agreement

REQUESTED ACTION: Briefing July 2, 2024; follow up briefing on July 9, 2024; Consider approving a resolution endorsing the Capital City Revitalization Zone Project Area and Participation Agreement on July 9, 2024

POLICY ITEM: Capital City Revitalization Zone

BUDGET IMPACTS: This briefing is the first discussion of the proposed deal points of a Participation Agreement between Salt Lake City (**City**) and Smith Entertainment Group (**SEG**).

- The potential next step will be a follow up briefing and vote by the Council to endorse the Participation Agreement and Project Area on July 9, 2024.
- This is the first step towards the adoption of an additional .5% sales tax City-wide to be dedicated to the renovation of Delta Center and construction of a sports, entertainment, culture, and convention district.

EXECUTIVE SUMMARY: For decades, residents of the City and the State of Utah have supported and enjoyed the presence of professional sports downtown, and the teams are an integral part of the community.

During the 2024 general legislative session, the Utah legislature passed the Capital City Revitalization Zone Act, Utah Code 63N-3-1301, *et seq.* (the **Act**), which authorizes the City to levy a .5% sales and use tax for thirty years (**Revitalization Tax**) to be used for the benefit of revitalization projects within a designated project area at and around Delta Center, which is the home arena to the existing NBA franchise and the new NHL franchise.

Under the Act, the City may initiate the process to impose the Revitalization Tax upon receiving an application from an entity that is a party to one or more professional sports franchise agreement(s) and that will play their home games in an arena downtown. Upon receipt of an application, the City and applicant may negotiate the terms of a proposed project area and participation agreement.

If the City endorses the proposed project area and participation agreement, the City will provide notice of the endorsement to the state’s Revitalization Zone Committee, which committee has been established pursuant to Utah Code 63N-3-1307.



Upon receipt of the City’s endorsement, the Revitalization Zone Committee has 30 days to review the proposed project area and participation agreement. If the Revitalization Zone Committee endorses the project area and participation agreement, the Committee will send notice of the endorsement back to the City for final approval and adoption of the Revitalization Tax and approval/execution of the participation agreement.

SEG owns the Utah Jazz, the NBA franchise, and the Utah Hockey Club, the NHL franchise, whose home games are both played at Delta Center.

On April 4, 2024, SEG applied to the City requesting the City impose Revitalization Tax to support a proposed remodel of Delta Center and construction of a sports, entertainment, culture, and convention district in downtown Salt Lake City.

Upon receipt of the application, SEG and the City are negotiating a proposed project area that meets the requirements of Utah Code 63N-3-1302 (**Project Area**) and a proposed participation agreement that meets the requirements of Utah Code 63N-3-1305 (**Participation Agreement**).

SUMMARY OF TERMS: The Project Area and Participation Agreement are being finalized and will be transmitted to the Council by July 5, 2024, at the latest. An overview of the terms is provided below.

- **Project:** SEG will design, develop, construct and complete renovations to Delta Center to make it a first-class arena for the NBA and NHL teams. In collaboration with Salt Lake County, SEG also intends to develop portions of the two blocks east of Delta Center as a sports, entertainment, culture, and convention district. The Delta Center remodel and the development of the sports, entertainment, culture, and convention district is described here as the “**District**”.
 - During the design and construction of the District, SEG will use commercially reasonable efforts to use sustainable development elements into the improvements and SEG will endeavor to incorporate its construction contract bidding process readily available to and easily accessible to small-, minority-, veteran-, and/or woman-owned contractors and subcontractors.
 - The City will require design guidelines in a separate development agreement for the construction of the District.
 - By the tenth anniversary of the Participation Agreement, SEG will complete and make operational all elements of the District which are funded by the Revitalization Sales Tax.

- **Maximum Dollar Amount:** The maximum amount of net bond proceeds that SEG may receive is \$900,000,000. This will be paid from the Revitalization Tax collected by the City over thirty years, which is anticipated to generate revenues of approximately \$1.2 billion (present value) over the 30-year life of the agreement.
 - Of the \$900,000,000, SEG currently estimates that it will spend \$525,000,000 in costs for the Delta Center remodel and \$375,000,000 in costs for the other district improvements.

- **City Administrative Fee:** The City will receive up to 1% of the Revitalization Tax over the thirty year period to reimburse the City for its costs incurred to create and administer the Project Area as an administrative fee.



- **Public benefits:** In exchange for the commitment of public funding for the remodel of Delta Center and construction of the sports, culture, convention, and entertainment district, SEG commits to the following public benefits for Salt Lake City:
 - Ticket fee: Starting on July 1, 2025, SEG will impose a fee on each ticket sold for events at Delta Center. The amount of the ticket fee will be: a fee of \$1 per ticket if the ticket price is \$25 or less; a fee of \$2 per ticket if the ticket price is greater than \$25 but less than \$200; and a fee of \$3 per ticket if the ticket price is greater than \$200.
 - The ticket fee will be delivered to the City, to be deposited in a separate City-managed account (**Public Benefit Account**), to be spent on family-sized and affordable housing and other public benefit initiatives as determined by the City, and other initiatives the City identifies.
 - Community Support; Workforce Development: SEG will support community and workforce development initiatives by establishing or providing:
 - *Apprenticeship Programs:* During construction, maintenance, and operation of the District, SEG will encourage local community partners to train a diverse and competent workforce to become apprentices in sport-related trades. SEG will focus on individuals from communities in Salt Lake City from households that qualify for free or reduced lunch or otherwise meet the Income Eligibility Guidelines published by the Utah State Board of Education (**Individuals from Economically Disadvantaged Families**). SEG will conduct at least three in-person outreach events per year.
 - *College internship programs:* SEG will offer at least fifteen (15) paid internships per year for college students (with a goal of twenty-five percent (25%) of such students with demonstrated financial need), for careers in the sports business. The internships must be primarily on-site and in-person within the NHL team, the NBA team, or SEG.
 - *High school shadowing programs:* SEG will work with the NHL team and the NBA team to offer a shadowing program for at least ten (10) local high school students (with a goal of fifty percent (50%) of such students who are Individuals from Economically Disadvantaged Families) which will provide them the opportunity to shadow in person a staff member or department within the professional sports team organization or SEG, or the operator of the Delta Center, to learn about the business of a sports organization. The program will be housed within the NBA team, the NHL team, or SEG.



- *Annual lectures/Speaking engagements:* SEG will collaborate with local Salt Lake City high schools and middle schools for opportunities for members of the NHL team (i.e. players, coaches or staff), the NBA team (i.e. players, coaches or staff) or SEG personnel to speak to classes or student groups about the sports industry. SEG will conduct at least four (4) of these in person outreach events per year to such schools.
- *Youth programming:* SEG will continue promoting the creation, development, and growth of youth programming for both basketball and hockey in Salt Lake City, SEG will invest \$2,000,000 providing multi-faceted support to youth athletics in Salt Lake City.
- *Free and subsidized tickets:* SEG shall ensure that the NHL team and the NBA team will each offer free or subsidized tickets to various home games each season to Salt Lake City-based community organizations, with the goal of encouraging Individuals from Economically Disadvantaged Families in Salt Lake City to attend NHL and NBA home games.
- Gathering Spaces: As part of the development of the district, SEG will design gathering/event/plaza spaces that will welcome members of the community to downtown Salt Lake City. These spaces will include: (1) an outdoor event space; (2) walkways connecting the public streets and rights of way to the district; and (3) landscape features and other elements consistent with a place of gathering. These spaces are intended to be operated and maintained such that they are inclusive and welcoming spaces for individuals and families.
 - The Gathering Spaces will be owned, operated and managed by SEG. The rules and regulations for the gathering spaces will include a statement affirming SEG's support of non-discriminatory behavior on the basis of race, creed, color, ethnicity, national origin, religion, sex, sexual orientation, gender identity and expression, age, or physical or mental ability.
 - SEG and the City will identify, on an annual basis, two mutually acceptable periods of three days each, between May 1 and September 15, that the City or a community organization designated by the City and approved by SEG can use one or more of the gathering spaces free of cost for festivals and events.



- Japantown: As part of the development of the District, SEG will coordinate with the City on its efforts to facilitate the recognition, revitalization, and/or redevelopment of the Japantown community, located at 100 South and 300 West. SEG will meet, at a minimum, twice a year for the first 36 months with members designated by the Japanese Church of Christ and the Buddhist Temple, about SEG’s progress and planning efforts and to receive input from the Japantown representatives about the development of the revitalization and redevelopment of Japantown. Additionally, SEG will seek to incorporate the following into the District development:
 - Activate the north side of 100 South in Japantown, including consideration of street facing activated spaces and minimizing the number of truck loading and unloading areas along 100 S and facing Japantown.
 - Create a pedestrian connection between the interior of the District and Japantown including a spatial buffer between the District development and the Japanese Church of Christ.
 - Use commercially reasonable efforts to incorporate Japanese architectural or landscaping elements in the 100 South ground level facades facing Japantown.
 - Work with the Japanese American community to develop historical markers that relate to Japantown’s history, with content approved by the local Japanese American community. SEG will approve content and location of any historical markers on SEG owned and controlled property. All historic markers will be installed and fabricated by SEG using funds from the Public Benefits Account.
 - The City agrees to spend not less than \$5,000,000 from the Public Benefits Account for the revitalization and redevelopment of Japantown.
- Public Safety: SEG will provide a space within the District for use by security personnel and Salt Lake City Police Department officers, including for the processing and holding of arrestees.
- Public Art: The City will spend a minimum of \$5,000,000 from the Public Benefits Account towards the design, fabrication, installation, and maintenance of various pieces of public art, including iconic art, in the District. The public art will be procured through a mutually agreed upon process between the City’s Arts Council and SEG. The procurement process will include a process for notifying and engaging with local artists to compete for the opportunity to create public art.



- **Transparency and Reporting:**
 - SEG will appoint a liaison to the City to be the point person to report on SEG's use of the Revitalization Sales Tax, progress on the construction of the District, and implementation of the Public Benefits.
 - SEG (or its liaison), will attend at least one City Council meeting per year to provide a briefing and update on the District.
 - SEG's liaison will also provide reports summarizing the projects being constructed, an accounting of the Revitalization Sales Tax received, a summary of the ticket fee, and the status on the construction schedule of the District.
 - SEG will provide an annual report to the City on the status of construction and design of the Gathering Spaces, the status of the workforce development and community support initiatives, and the number of public outreach events conducted by SEG for the community support initiatives.

- **Non-relocation provision:** Should the agreement with the County be reached regarding the County Lease as noted below and other conditions be met, both the NBA and NHL will play their home games at Delta Center during the term of the Participation Agreement. If either team ceases to play its home games at Delta Center, the City has a variety of remedies, including specific performance or payment of damages.

- **County Lease:** SEG agrees that they will negotiate and endeavor to execute a lease with the County for County-owned property necessary for the District development on or before July 1, 2025. Execution of the lease with the County is a condition precedent to the effectiveness of the Agreement.



NEXT STEPS: The City Council may schedule another discussion and potential action on the Participation Agreement and Project Area on July 9, 2024. If the City Council takes action to endorse the Project Area and Participation Agreement, the Act lays out the following next steps:

1. City staff will take all necessary steps to provide notice to the Revitalization Zone Committee of the City Council's endorsement of the Project Area and Participation Agreement.
2. Within 30 days of the Revitalization Zone Committee's receipt of the City's notice, they will review the Project Area and Participation Agreement and, in a public meeting, vote to either approve or reject the Project Area and Participation Agreement.
 - a. If the Revitalization Zone Committee rejects the Project Area or Participation Agreement, they will adopt findings explaining the rejection, and the City and SEG will have an opportunity to further negotiate or amend the Project Area and Participation Agreement.
 - b. If the Revitalization Zone Committee approves the Project Area and Participation Agreement, they will provide notice to the City Council of such approval.
3. Once the Revitalization Zone Committee approves the Project Area and Participation Agreement, the City Council may, in a public meeting, give final approval to the Project Area and Participation Agreement.
4. After giving final approval, the City Council may vote in a public meeting to impose the Revitalization Sales Tax.