



Legislation Text

File #: RES 15-2262, **Version:** 1

Resolution Approving Clarification and Application of HRA Board Intent of Changes to the Palace Theatre Use Agreement

WHEREAS, on December 9, 2015, the Board of Commissioners of the Housing and Redevelopment Authority of the City of Saint Paul, Minnesota (“HRA”) considered Resolution 15-2210 (the “Resolution”), entitled Resolution Approving and Authorizing Acceptance of Conveyance of Palace Theatre from City of Saint Paul (City); Execution of a Reimbursement and Loan Agreement with the City; Acceptance of Assignment of Existing Contracts from the City; Execution of State G.O. Bond Grant Agreement and related documents and agreements; Execution of a Development Agreement and Use Agreement with Palace Theatre Operations, LLC; Acceptance of Encroachment Easement; Execution of Access Easement; Approval of Additional Actions to Complete the Palace Theatre Project; and Budget Amendment; District 17, Ward 2; and

WHEREAS, the HRA Board approved the Resolution as amended, said amendment being to Attachment F to the Resolution, entitled Summary of Development Agreement and Use Agreement; and

WHEREAS, the amendment to Attachment F provided that upon non-renewal of the Use Agreement as therein provided, the Operator would be entitled to a payment equal to the cost of capital improvements “less depreciation as defined by accepted accounting practices,” and

WHEREAS, the HRA Board wishes to clarify its intent and provide a clear method for implementing its intent in the Use Agreement.

NOW, THEREFORE, BE IT RESOLVED, that the following clarifies the intent of the Board with regard to the amendment made to Resolution 15-2210 on December 9, 2015, and sets out a clear method for applying that intent to the Palace Theatre Use Agreement:

By State law the HRA is permitted, but cannot be required, to grant a renewal term of 15 years to the Operator if the HRA Board of Commissioners makes the decision to continue with the purposes of the Theatre. Provided if the HRA Board decides to continue with the Theatre and does not extend an offer to the Operator to stay on, then the Operator is entitled to remove its own property from the Theatre and receive a payment equal to the aggregate cost of:

1. The cost of the Operator Property Contribution (as defined in the draft Development Agreement) not removed by the Operator.
2. The cost of Privately Financed Enhancements (as defined in the draft Development Agreement) not removed by the Operator, discounted as described below.
3. The cost of Capital Improvements (as defined in the draft Use Agreement) paid for by the Operator during the term of the Use Agreement, discounted as described below.
4. The Bathroom Relocation / POS Costs (as defined in the draft Development Agreement) paid by the Operator, which relates to the cost of moving bathrooms and adding points-of-sale that exceed the Project’s contingency budget, discounted as described below.

In order to fairly apply the intent of the Board - that the amount that should be repaid to the Operator in categories two through four above, in the event the HRA chooses not to renew the Use Agreement in year 15, be depreciated - and in order to define a method for doing so that is easily understood and can be reasonably applied in practice, the costs listed in paragraphs two through four will be discounted by 1/30 each year. This

relates to a straight-line depreciation method tied to the useful life of the Palace Theatre upon completion of the Project.