

HOUSING TRUST FUND ADVISORY BOARD

Meeting of May 22, 2008

The following board members were in attendance: Curtis Anderson, Joe Gallegos, Rick Knuth, Peter Morgan, Nancy Pace, Faina Raik and Shawn Teigen. Staff members in attendance were LuAnn Clark, Director of Housing and Neighborhood Development, Sandi Marler, CD Programs Administrator, and Jan Davis, Administrative Secretary.

Due to the absence of Chairperson Kent Moore, Curtis Anderson was Chair for the meeting. Mr. Anderson called the meeting to order at 12:17 p.m.

Rick Knuth motioned to approve the December 6th minutes. Nancy Pace seconded the motion. All voted "Aye." The motion passed.

Consider a request from the Housing Development Corporation of Salt Lake City (HDC), a nonprofit organization formed by the Housing Authority of Salt Lake City, to either amend original loan documents on the Canterbury/Ben Albert Apartment projects to wait until 2023 to retire the project's full debt when the project's bond balloon payment is due, or to defer loan payments until HDC properties have a joint annual cash flow of \$200,000.

Kathy Ricci, Finance Director and Joe Post, Nonprofit Division Director of the Housing Authority of Salt Lake City were present to provide details and answer questions pertaining to the request.

Ms. Ricci described the history of the original negotiated loan with the City and the bond obligation. Ms. Ricci said that there is a problem in repaying the loans. Ms. Ricci explained the housing market in the last 4 years and how it influenced the projects revenue projections. Ms. Ricci stated that the operating income of the projects has been inadequate and not generating cash flow. Ms. Ricci said that the revenue projection for growth of 3 to 5 percent annually has never occurred and that the very stagnate housing market has left them unable to repay the loans. Ms. Ricci said that in the last two years, the Housing Development Corporation of Salt Lake City (HDC) is beginning to pull out of it but capital repairs continue to increase.

Ms. Ricci said that HDC is requesting to retire the full debt in 2023 when the balloon payment is due or to combine the cash flow of the properties. This would allow them to establish a reserve replacement, pay the City and allow HDC to retain some cash flow as the market strengthens.

The Board asked why HDC's operating expenses are higher than the industry standard. A discussion followed regarding HDC's high operating costs, the need for a replacement reserve fund and the recommendations from Consultant David Miner of Municipal Bond Consulting, Inc. Ms. Ricci agreed that Mr. Miner's recommendations are reasonable in protecting the long term viability of the projects. Ms. Ricci said a replacement reserve fund will need to be established to make funds available for capital repairs. The Board agreed that insufficient cash flow to repay the loans is due to HDC's high operating costs. Joe Post provided details on major repairs and maintenance costs, as well as ongoing repairs on the off line apartment units. The Board inquired about vacancy rate, and Mr. Post said the vacancy rate in the last year and a half has been 5% and 2008 is expected to be 3-5%, which is reflective of the market.

The Board asked for clarification on the original and structured notes, terms of the loans and debt repayment. The loans were to facilitate the bond payments. The City cosigned to refinance the loans to avoid bond failure and impact the City's bond rating. Ms. Ricci said that at the time of the refinance, the Housing Authority projected favorable revenues and money for a reserve account but there was no growth in revenue and expenses continued to climb. Ms. Ricci stated that the properties are making the bond payment but not enough revenue to pay the City or put funds into a reserve account.

A lengthy discussion followed on how to bring down the operating costs. The Board agreed with Mr. Miner's evaluation that an independent analysis of the HA's operating expenses will need to be completed to determine if they are managing the properties efficiently and that the expenses are appropriate. Ms. Ricci said that she did not feel the operating expenses are out of line but would welcome an analysis. Ms. Ricci said that they are reviewing options on how to handle the balloon payment due in 2023. One option would be to sell one of the properties to retire the debt owed to the City.

Each one of the proposed recommendations presented in Mr. Miner's analysis was discussed in detail by the Board and staff.

Nancy Pace motioned for a two year deferral on the loan payments and an analysis on operating costs to be prepared as a decision cannot be made until the Board can review the analysis. To clarify the motion, Sandi Marler said it would be a one year deferral of the April 2007 and April 2008 payments to avoid default and the analysis to be completed in a year. Rick Knuth seconded the motion.

The Board agreed that continuing to defer the obligation would not solve the current problem. A lengthy discussion followed in regard to current cash flow and how to restructure the loan so that HDC has the ability to make payment to the City.

Nancy Pace withdrew the motion. Rick Knuth seconded the withdrawal of the motion.

Peter Morgan made a new motion to amend the note having an interest only payment from April 1, 2007 to April 1, 2008 due on or before June 1, 2008, an analysis of the HA's operating expenses by a third independent party prepared and presented to the Board before April 1, 2009 and a one-year forbearance on the original loan. Nancy Pace seconded the motion. All voted "Aye." The motion passed.

Review the second round of 2008-09 Housing Opportunities for Persons with Aids (HOPWA) applications.

LuAnn Clark said that in the December meeting it was discussed that the Housing Authority of Salt Lake City missed the application deadline and was not included in the funding requests. The Board recommended setting aside funds for a second round of applications. Ms. Clark said the funding has been agreed by the Mayor and Council.

Ms. Clark explained the HIV Aids Committee and the Entitlement Committee recommendation for funding on the two applications.

Each application was discussed and the applications below represent the Board's recommendation for the remaining 2008-2009 HOPWA funds.

Peter Morgan motioned to approve the following funding. Faina Raik seconded the motion. All voted "Aye." The motion passed.

- 1) Housing Authority of Salt Lake City application requesting \$123,752 for tenant-based rental assistance to 25 low-income households with HIV/AIDS. No administrative fees. Approved funding \$98,752.
- 2) Housing Authority of the County of Salt Lake application requesting \$50,000 for tenant-based rental assistance to 8 low-income households with HIV/AIDS. No administrative fees. Approved funding \$25,000.

There being no further business, the meeting adjourned at 1:56 p.m.