

HOUSING TRUST FUND ADVISORY BOARD

Meeting of November 9, 2006

The following board members were in attendance: Karen Cahoon, Cara Lingstuyl, Kent Moore, Peter Morgan, Nancy Pace, and Ahmed Ali. Staff members in attendance were LuAnn Clark, Director of Housing and Neighborhood Development, Sandra Marler, CD Programs Administrator, and City Council staff Janice Jardine.

Chairperson Kent Moore called the meeting to order at 12:18 p.m.

LuAnn Clark advised the Board that William Dalton has resigned from the Board due to relocating out of the City.

Kent Moore welcomed new Board member, Ahmed Ali. Mr. Ali introduced himself and briefed the Board on his work experience.

Peter Morgan motioned to approve the May 11th minutes. Cara Lingstuyl seconded the motion. All voted "Aye." The motion passed.

Consider a request from Utah Nonprofit Housing Corporation for a \$300,000 loan at 0% interest over 40 years to rehabilitate the Multi-Ethnic Senior Citizen Highrise (MESCH) Apartment project located at 120 South 200 West. The project consists of 141 affordable units for seniors at 50% or less of area median income. The applicant is refinancing this project with Low-Income Housing Tax Credits (Richman Group) and HUD financing (CapMark). HUD requires residual receipts, or cash flow, loans from the City and the Olene Walker Housing Loan fund with 40 year terms for this project.

Mr. Marion Willey representing Utah Nonprofit Housing Corporation, Mr. Scott Chamberlain of CapMark Finance and Ms. Marci Milligan, Consultant for Utah Nonprofit Housing Corporation were present to provide details and answer questions pertaining to the project.

Mr. Willey presented a brief history of the project. Mr. Willey said that it is important to know that the refinance and rehabilitation of the project would commit its use as affordable housing for an additional 99 years for very low income seniors. Mr. Willey explained the funding of the project consisting of low-income housing tax credits, HUD and the State of Utah Olene Walker Housing Loan Fund. Mr. Willey said that as a HUD project, the City loan will need to be structured as a cash flow loan with repayment from available net operating income. Mr. Willey said they are certain the project will cash flow with the excess cash flow paying the second and third mortgages, and that the City's loan will be repaid before the State's loan is repaid and that the State has agreed to this repayment schedule.

Mr. Chamberlain explained the history of HUD Section 202 loans stating that federal financing for major capital improvements had not been allowed in the past. In 2004, however, HUD changed the rules allowing additional federal funding options for capital improvements to existing 202 loan projects. Mr. Chamberlain explained the purchase of the 202 loan by Multi-Ethnic Senior Housing, Ltd. and the refinance through HUD as a 223f project. This property will retain the Section 8 rental subsidy rates from its initial contract.

The Board inquired if the residents were asked to provide input on the project. Mr. Chamberlain said that HUD's program encourages tenant meetings to allow them to address rehabilitation. Mr. Willey described the upgrades for the rehabilitation from resident input.

Mr. Willey said that the tax credits are locked in until June and they will be starting construction in March. The contingency reserve was discussed and Ms. Milligan said that the developer fees had been approved by the lender and will be deferred until after final cost certifications and will be used to cover any cost over runs. UNPHC will monitor the process closely. The Board inquired about the property acquisition costs. Mr. Willey discussed the acquisition fees and HUD's requirements on limited partnership structures, current ownership and the change in ownership of the property.

A short discussion followed by the Board concerning the 0% interest rate requested by the applicant. Mr. Chamberlain commented that it is not unusual for an acting not-for-profit organization that has been involved in the community for many years that provides low-income housing to request 0% interest. The Board was in favor of the project and that the project serves residents with a much lower AMI than most projects but proposed the project at an interest rate of 1%. The Board also agreed the 1% would provide the City some return on its loan funds. Cara Lingstuyl motioned to approve the loan request for \$300,000 at 1% over 40 years as a cash flow loan as required by HUD. Peter Morgan seconded the motion. All voted "Aye." The motion passed.

Consider a request from A.M.E. Enterprises, LLC, for a short-term loan in the amount of \$328,128 at 3% interest over five years in order to demolish an existing apartment complex and construct a new single family housing development project to be located at 345 Edith Avenue. The proposed project would replace the existing apartment project consisting of 5 four-plex cinderblock buildings built in the late 1960s and one uninhabitable house at the north end of the project on Blair Street.

Mr. Greg Pedroza representing A.M.E. Enterprises, LLC, Mr. Kirk Wooley and Mr. Jess Peterson from Bank of American Fork were present to provide details and answer questions pertaining to the project.

Mr. Pedroza provided a detailed overview of the project. Following Mr. Pedroza's presentation, the Board entered into an extensive discussion about the financial aspects of the project. The Board expressed support for the idea of single family housing development for this community, but expressed concern that the project proposal appeared to need additional equity of approximately \$750,000. A question arose relative to when the full extent of the developer's equity would be made available for the project and whether the project would be developed in phases with profits from each sale then funding further development. The Board expressed a preference that all of the equity be put into the project at the beginning of the development phase rather than at the end. The Board also requested additional information on how the affordability requirements for the Housing Trust Fund loan would be met. Mr. Pedroza explained that three of the homes would be made affordable for those at 80% or less of area median income. The Board requested detailed information on how this would be possible since lower income people cannot afford to pay the \$285,000 that will be the average price for these houses.

The applicant stated that they had developed a time line spreadsheet for the project that addressed all of the financial issues and the phases of the development but explained that this information had not been asked for in the application and therefore, had not been included.

The Board agreed to table the request until December 14, 2006 and requested the developer provide updated financial information, the phasing time table information and address the affordability issues for the proposed development.

The next HTF Advisory Board meeting is scheduled for Thursday, December 14, 2006.

There being no further business, the meeting adjourned at 2:15 p.m.