

## **HOUSING TRUST FUND ADVISORY BOARD**

### **Meeting of February 19, 2009**

The following board members were in attendance: Curtis Anderson, Paula Carl, Joe Gallegos, Rick Knuth, Kent Moore, Elly Muth, 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.

Chairperson Kent Moore called the meeting to order at 12:15 p.m.

The Board unanimously motioned to approve the December 15th minutes.

**Consider a request from Ben Logue, on behalf of Raasay Properties, LLC, for a \$152,000 loan from the Housing Trust Fund at 1% over thirty years for renovation of the Smith Apartment Project located at 228 South 300 East and 682-688 East 700 South in Salt Lake City.**

Mr. Ben Logue, Managing Member of Raasay Properties was present to provide details and answer questions pertaining to the request.

Mr. Logue provided a brief history of the project. Mr. Logue stated that this is an existing tax credit project that was partially renovated 15 years ago and he intends to do a full rehabilitation. Mr. Logue outlined the structural renovation and how the project will be upgraded to present-day building regulations and how it will qualify for energy-star designation. Mr. Logue said that the project will be renovated to the original historic look. Mr. Logue said that they have applied for and have received tax credits from Key Bank.

The Board asked for clarification on the construction cost per unit. A short discussion followed in regard to construction costs. Mr. Logue explained Green and LEED new construction and that this construction will be funded from tax credits. Mr. Logue said that the renovation is an investment in the community to improve housing for existing and future residents and provide much needed high quality housing to low income individuals and families.

The Board asked about existing loans Mr. Logue has with the City. Ms. LuAnn Clark indicated that Mr. Logue has several loans with the City and that all of those loans are current and all requirements are met in a timely manner.

The Board asked how the construction will impact the current residents. Mr. Logue said that at the time of construction at 682-688 East 700 South building, the tenants will be transferred to other units they manage. The tenants at 228 South 300 East will be able to transfer within the building as the building can be divided into two segments during the renovation. Mr. Logue said that the tenants have been notified and are aware of the renovation. Mr. Logue stated that they will handle the transfer for all the tenants.

The Board discussed a higher interest rate than the requested 1% and agreed that the loan should be at a higher percentage rate in order to at least break even with what the City is getting on its money. The interest rate the City earned during the last half of 2008 ranged between 2.3% to 2.8%.

Elly Muth motioned to approve the loan request for \$152,000 at 2.3% over thirty years. Paula Carl seconded the motion. Curtis Anderson requested an amendment to the motion to approve the loan request for \$152,000 at 2% over thirty years. Ms. Muth and Ms. Carl accepted the amendment to the motion and the second. All voted "Aye" with the exception of Shawn Teigen who opposed. The motion passed.

**Consider a request from Paul and Dan Howells, on behalf of Pierpont Lofts, LLC, for a \$300,000 loan from the Housing Trust Fund at 3% for less than five years, for new construction of the Pierpont Lofts, consisting of 12 single-family, attached housing units to be located at 929 West Pierpont Avenue in Salt Lake City.**

Mr. Dan Howells and Mr. Paul Howells of Pierpont Lofts, LLC were present to provide details and answer questions pertaining to the request.

Ms. LuAnn Clark said that the Council believes home ownership opportunities are important to the City and revised the ordinance that if a developer is going to construct a single family or home ownership opportunity, the allowed funding would be for five years and that the term of affordability would be the first owner of the residential home. If the loan is not paid back at the end of five years, the term would change to 99 years and the loan would have to be re-evaluated. Every purchaser will need to be verified that qualifies as affordable based on the first purchaser.

Mr. Dan Howells stated that the project will be 12 single family attached units with private yards and garages with a unique design resembling a restored agricultural building. The units will be energy efficient with sustainable finishes. The development will include a community common open space for a community garden and will be landscaped with fruit trees. The development will be a gated community and a home owners association will be created. The units will be considered affordable starting at \$140,000 with two units restricted for purchase by individuals earning 80% or less of AMI. Mr. Howells said the project has been approved by the Planning Commission.

The Board asked if they had the support of the Community Council and Mr. Dan Howells said that the project was presented to the Community Council and they have received their endorsement.

A discussion followed in regard to clarification on the sources of funding for the project and how the HTF loan will be repaid. Mr. Dan Howells said the HTF will be repaid from the sales revenues of the units after the primary lender has been repaid. The City will be repaid prior to the developer. Ms. Clark said the loan would not be approved until there is a construction loan in place. The Board asked if there would be a trust deed on the property. Ms. Clark said that the City will have a trust deed on all 12 units. The Board expressed concerns of a deteriorating real estate market and that with the resetting of subprime loans in the mortgage industry during the next year, the requested loan would be risky. The Board agreed that until the current inventory of housing on the market comes down that this would not be the right time for new construction of residential homes and that the City may be at risk of not being repaid. Additional collateral and personal guarantees to secure the loan were discussed. It was suggested that the construction lender subordinate to two units. Mr. Dan Howells said that if this is the Board's recommendation they would discuss the matter and determine if they would be able to accommodate those requests.

Chair Kent Moore recommended to table the applicant's request for lack of a motion and asked the applicant to consult with their construction lender regarding subordinating two units and to provide personal guarantees from the limited liability company partners.

Paula Carl moved to recommend approval of the loan and the requested terms if the construction lender agrees to subordinate a minimum of two units and personal guarantees are provided from all of the Pierpont LLC principals. Curtis Anderson seconded the motion. All voted "Aye." The motion passed.

**Discuss HOME program funding issues.**

LuAnn Clark said that the Community Development Corporation of Utah (CDC) has been unable to spend the Salt Lake City 2006-2007 and 2007-2008 HOME program funding in the amount of \$250,000. CDC said that they had hoped they would be able to use these funds to provide soft seconds with the money. Ms. Clark explained that the applications CDC had submitted to the City for these funds had not requested the option of providing soft second mortgage financing to their clients and soft second funding had not gone through a public process, nor had it been presented to the Mayor or the City Council. Therefore, the City could not allow them to spend the funds in that manner.

Ms. Clark explained that two different contracts had been amended to provide CDC between 2.5 and 3 years to spend down these funds. Upon expiration of these amended contracts, the money will be recaptured. CDC is requesting this money be reallocated immediately to them with the ability to provide soft second mortgage financing to their clients. Ms. Clark reminded the Board that CDC received no funding recommendation from the HTF Board in the 2009-2010 funding round due to unspent funds from previous years. Ms. Clark said that if CDC's request is approved, they will be required to report where the money is spent, where the second is applied and a CDC policy for this type of activity will have to be established. If the Board does not approve CDC's request, the money will be recaptured and held for funding during the next year. CDC will be able to apply for funding at that time along with all other interested applicants. The recaptured funds will be added to the annual allocation Salt Lake City will receive from HUD for 2010-11.

Paula Carl moved to deny the request of the Salt Lake Community Development Corporation to have these funds recaptured and immediately reallocated to CDC to recapture the \$250,000 and make these funds available during the next year of funding. Elly Muth seconded the motion. All voted "Aye." The motion passed.

**Election of Housing Trust Fund Board Chairperson and Vice Chairperson.**

Election was held for Chairperson and Vice Chairperson and the Board unanimously voted Curtis Anderson as Chairperson and Shawn Teigen as Vice Chairperson.

The next HTF Advisory Board meeting is tentatively scheduled for March.

There being no further business, the meeting adjourned at 1:39 p.m.