
SALT LAKE CITY COUNCIL STAFF REPORT

DATE: June 27, 2003
SUBJECT: **REFINANCE HOUSING AUTHORITY BONDS**
AFFECTED COUNCIL DISTRICTS: Citywide
STAFF REPORT BY: Gary Mumford
ADMINISTRATIVE DEPT. Community and Economic Development
AND CONTACT PERSON: Luann Clark
CC: Rocky Fluhart, David Nimkin, Alison Weyher, David Dobbins, LuAnn Clark, Dan Mulé, DJ Baxter

KEY ELEMENTS:

Salt Lake City assisted in credit enhancing bonds issued by the Housing Authority in 1987. On June 10, 2003, the Council received a briefing on refinancing of Housing Authority Bonds to take advantage of low interest rates. The Housing Authority of Salt Lake City is requesting that the Council adopt a resolution acknowledging the issuance and sale by the Housing Authority of Multifamily Housing Lease Revenue Refunding Bonds.

RECOMMENDED MOTION:

Council staff recommends that the Council adopt the resolution.

["I move that the Council"] **Adopt the resolution acknowledging the issuance and sale by the Housing Authority of Salt Lake City of its \$16,300,000 Multifamily Housing Lease Revenue Refunding Bonds Series 2003, and in connection therewith, authorizing the execution and delivery by the City of an annually renewable lease agreement between the Housing Development Corporation and the City and an annually renewable sublease agreement between the Housing Authority and the City, and related matters.**

The following information was provided previously.
It is provided again for your reference.

In 1987, the Salt Lake City Housing Authority issued \$14,900,000 of bonds and loaned the proceeds to the Housing Development Corporation, a non-profit subsidiary of the Housing Authority to purchase land and improve properties. Salt Lake City guaranteed the bonds. Bond proceeds were used to purchase the Riverside Apartments, Ben Albert Apartments, and to purchase land. The City

loaned \$800,000 (\$500,000 federal grant and \$300,000 of CDBG funds) to help purchase the Ben Albert Apartments. Loan repayments begin in 2006.

A few years after the bonds were issued, the Housing Development Corporation had financial difficulties and did not have sufficient funds to make the bond payments. The City established a team to explore solutions. The team recommended that the Housing Development Corporation build a housing project on land previously purchased. The Housing Development Corporation built Hawthorne Court on the land with the remaining bond proceeds. The City loaned \$495,000 of CDBG funds to purchase a new boiler for the Ben Albert Apartments. The City purchased the Canterbury project for the Housing Development Corporation using CDBG funds. In 1995, the bonds were refinanced to take advantage of declining interest rates and to lower annual debt service requirements.

Recently because of the slow economy and higher than usual vacancy rates, the Housing Development Corporation has had to defer some maintenance. The proposed bond refinancing will reduce annual debt service by \$70,000 to \$130,000 per year and free up \$500,000 of debt service reserve funds for urgent capital improvements such as repairing roofs, replacing stairways, refinishing hallway decks, and replacing interior doors. Refinancing the bonds may help the Housing Development Corporation in the long-term to meet its bond repayments as well as repay the City.

The refinancing is proposed to be a private placement with Zions First National Bank. The refunding of the bonds will not change the City's obligation on the bonds. The bonds will be outstanding for 20 years, but the interest rate will be fixed for only the first 10 years. After 10 years the rate will be adjusted to an independent index (currently 2.99%) for the ensuing 5 years, and again in the 15th year for the final 5 years.