
SALT LAKE CITY COUNCIL STAFF REPORT

DATE: August 20, 2004

SUBJECT: **Salt Lake City Housing Trust Fund loan to Multi-Ethnic Development Corporation for the 700 South Condos project**

AFFECTED COUNCIL DISTRICTS: District 4

STAFF REPORT BY: Michael Sears, Budget & Policy Analyst

ADMINISTRATIVE DEPT. AND CONTACT PERSON: Housing and Neighborhood Development
LuAnn Clark

The 700 South Condos project at 700 South and 200 West consists of 5 live-work units and 30 two-bedroom condominium units. The project will be housed in a seven-story building. Of the 30 condominium units 23 will be market rate and 7 will be targeted for sale to people with incomes at 80% of area median income or less. The anticipated purchase price will be \$135,000 for those units.

The Multi-Ethnic Development Corporation is requesting a loan of \$300,000. The Housing Trust Fund Advisory Board has reviewed this loan proposal and recommended approval of the loan with the following conditions:

1. Loan repayment period of less than 5 years or within 90 days of the sale of the last unit (whichever is shorter)
2. Interest rate of 3% subject to proceeds paid to lender not exceeding 100% (no accelerated repaid of loans to any lender)
3. Units retain affordability for a period of 5 years (this is in conflict with City Ordinance)

The conditions that the Housing Trust Fund Advisory board recommended are in contradiction to the City Council's policy on the term of affordability for short term loans as adopted in the Housing Trust Fund ordinance. A copy of the ordinance is included in the transmittal from the Administration. The Advisory Board is asking that the Council reconsider their decision regarding short term loan affordability requirements and increase the time limit from the 1st owner of the unit to all owners of the unit within the 5 year term of the loan.

This is a significant policy change that may discourage property owners from developing housing within the City due to the restrictions placed on potential buyers of the units. The Council may wish to review with the Director of Housing and Neighborhood Development the anticipated impact that this policy change may have on the City.

The transmittal includes the minutes of the Housing Trust Fund Advisory Board July 22, 2004 meeting.

➤ **BUDGET RELATED FACTS**

The proposed loan as drafted and recommended by the Administration from the Housing Trust Fund will be for \$300,000 at 3% interest for five (5) years. The City will be in second or third position on the loan. The current balance of the Housing Trust Fund is approximately \$3,150,473.

U.S. Bank (\$3,070,643) and Morgan Stanley (\$800,000) are also providing funding for this project. The total cost of project will be \$4,170,643. Sale income from the units in this project will cover all expense obligations for this project.

cc: Rocky Fluhart, Cindy Gust-Jenson, Sam Guevara, Lee Martinez, David Dobbins, LuAnn Clark, and Sandi Marler

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