

SALT LAKE CITY COUNCIL STAFF REPORT

DATE: September 7, 2004

SUBJECT: **Request for \$700,000 Loan from the Housing Trust Fund to Utah Nonprofit Housing Corporation to acquire, preserve and rehabilitate four apartment buildings**

AFFECTED COUNCIL DISTRICTS: Districts 3 and 4

STAFF REPORT BY: Gary Mumford

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

On July 22, 2004, the Housing Trust Fund board recommended a \$700,000 loan to the Utah Nonprofit Housing Corporation at an interest rate of 1% to be amortized over 30 years for the Milestone Apartment Project. The project consists of four existing buildings currently owned by the Milestone Housing Associates:

- Annie Laurie 326 East 100 South
- Los Gables 135 South 300 East
- Lorna Doone 320 East 100 South
- Wilshire Arms 234 First Avenue

The Section 8 contracts have expired on these apartments, and the Utah Nonprofit Housing Corporation is acquiring the buildings in order to preserve their affordability. The U.S. Department of Housing & Urban Development will provide a 20-year Section 8 contract with Utah Nonprofit Housing Corporation as part of the loan agreement. Without preservation of the Section 8 contracts, the project would be at risk of being sold and affordable housing within the City would be reduced.

The project consists of 39 studio and 102 one-bedroom units for residents at 50% of area median income or less. The average tenant income is currently 15% of area median income according to the transmittal. Rehabilitation will include updated wiring, plumbing and new air conditioning. The total project is estimated to cost \$6,416,000 with \$4,670,000 from the U.S. Department of Housing & Urban Development; \$700,000 from the Olene Walker Housing Loan Fund; \$700,000 from Salt Lake City; and \$346,000 from the owners or existing reserves. The Utah Nonprofit Housing Corporation is not requesting any funding from the City's Redevelopment Agency. The HUD loan agreement will require that the project remain affordable for 50 years.

Current tenants have been notified of rehabilitation plans and are represented by Tim Funk of Crossroads Urban Center with funding from an Outreach Tenant Grant. The Utah Nonprofit Housing Corporation has successfully rehabilitated similar projects with the residents in place. The Utah Nonprofit Housing Corporation has a loan with Salt Lake City on the Escalante Apartment project and is current on the existing loan.

The proposed resolution allows the Administration to change the terms of the loan to a cash flow loan if so required by HUD. The balances in the Housing Trust Funds are \$2,850,473 in the City's Housing Trust Fund and \$1,045,805 in the RDA Housing Trust Fund.

OPTIONS:

The Council has been consistently supportive of preserving Section 8 housing and has asked for a City-wide housing policy. The Administration indicates that the housing policy is in its final review process and anticipates that it will be forwarded to the Council in October. The Council may wish to consider the following options:

1. Forward the resolution to a future Council Meeting for consideration.
2. Request additional information.
3. Defer consideration of housing projects until after the Council has received and reviewed the proposed housing policy.

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