

## SALT LAKE CITY COUNCIL STAFF REPORT

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**DATE:** September 7, 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:** Gary Mumford

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

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On August 24, 2004, the Council discussed a request by the Multi-Ethnic Development Corporation for a \$300,000 Housing Trust Fund loan in connection with a proposed condominium development at 700 South and 200 West. The 3% loan is to be repaid from sale proceeds. 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 loan proceeds will be applied to the affordable units. Council Members had the following questions for which responses have been provided to Council staff:

Will the Multi-Ethnic Development Corporation apply for funds from the Redevelopment Agency for this project? The Multi-Ethnic Development Corporation intends to apply for a \$140,000 loan from the Redevelopment Agency. This money is proposed for seven loans of \$20,000 each to help qualified families purchase units. The executive director of the Multi-Ethnic Development Corporation stated that in the event the RDA is unable to provide the project with a loan of \$140,000, the Corporation will work with its other partners in the project to resolve the gap.

How much is the City's total involvement in this project? The total amount that will be requested from the City and Redevelopment Agency is \$440,000 (Housing Trust Fund loan of \$300,000 and RDA loan of \$140,000). At one time, the Multi-Ethnic Development Corporation discussed with RDA staff the possibility that RDA provide a guarantee for the construction loan. This request has been withdrawn because an agreement has been reached with a financial services company.

What is the timing or deadlines for the requested Housing Trust Fund loan? The Multi-Ethnic Development Corporation has this land under contract only until the end of October 2004. The contract has been extended once, but the current property owner has made it clear that no further extensions of time will be granted according to the executive director of the Multi-Ethnic Development Corporation.

What is the status of the draft housing policy? A housing policy has been prepared and is in its final review process. The City's Housing & Neighborhood Development director expects that the Council will have the proposed policy in October.

## OPTIONS:

The Council may wish to consider the following options:

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

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

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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 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 (current ordinance restricts affordability to only the first homeowner)  
[Note: At the briefing, the Council informally decided not to revise the existing ordinance because of the difficulty to track and administer sales to future buyers.]

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.

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