SALT LAKE CITY COUNCIL STAFF REPORT

DATE:	April 1, 2005
SUBJECT:	**Request for $850,000 Housing Trust Fund Loan for Construction of City Plaza Apartments**
AFFECTED COUNCIL DISTRICTS:	District 4
STAFF REPORT BY:	Gary Mumford
ADMINISTRATIVE DEPT. AND CONTACT PERSON:	Housing and Neighborhood Development LuAnn Clark

HMG Properties is requesting a loan of $850,000 from the City's Housing Trust Fund to construct the City Plaza Apartment project to be located at 134-164 South 200 East (parking lot south of Questar building). Both the City's Housing Trust Fund Board and Mayor Anderson have recommended the loan.

The total cost of the 200 unit project is anticipated to be $22,558,895. The loan from the City's Housing Trust Fund is proposed to be for 40 years at 2.45% interest. The project will be 100% affordable and remain affordable for 51 years. The developers will defer $850,000 in developer fees. The deferred fees will be paid over a period of years from net operating income derived from operations if the project is successful. The developers project that if 100% of the project's net operating income is applied to pay the deferred fees, it will take approximately 5 years following construction completion to pay off the deferred fees.

Following the Council briefing on March 15, 2005, Kevin Keating provided the Council with additional information, which is attached for you reference. Also attached again is a letter from Kevin Keating and Peter Corroon dated March 11, 2005. Mr. Keating also explained by telephone that the developers' business strategy is to retain ownership of projects at least during the federal tax credit compliance period. The intent of the developers is to hold and own the City Plaza Apartment project for at least 15 years. Either a management company or employees of the development company will manage the apartment operations. Chris Corroon will provide local administrative oversight, and Kevin Keating will oversee the compliance components.

The developers emphasized that the project will provide quality housing close to downtown and near public transportation. Unlike some other affordable projects that target those at the 40% of area medium income, the City Plaza Apartments will primarily target households at the 60% of area medium income. Sixty percent of area median income for the Salt Lake City to Ogden area is $36,840 for a family of four; $33,120 for three people; $29,490 for two; and $25,740 for a family of one individual. The maximum rents are fairly close to average overall market rents, however, City Plaza rents will be approximately 10% to 20% less than comparable new market rate properties.

Past city practice has been for mixed-income housing rather than large apartment complexes of all affordable units. The draft housing policy encourages housing in a manner that does not concentrating affordable housing.

The following is a detail of the proposed project funding and uses:

Proposed Project Funding	
Private activity bond	$12,667,283
Low-income housing tax credits	6,800,975
Salt Lake City Housing Trust Fund loan	850,000
Interest earnings	126,468
Equity of general partners – cash	2,114,169
Total Sources	$22,558,895

Proposed Uses of Funding	
Land costs	$ 2,610,818
Predevelopment/soft costs (feasibility studies, market studies, environmental studies, land-use studies, land surveys, preliminary site drawings, legal fees, loan application fees, appraisal fees, real estate taxes and insurance)	175,286
Remediation of existing environmental issues	8,500
Building demolition/disposal fees	80,000
Initial site work	40,000
Architectural & engineering	546,384
Building permits (impact fees not included because reimbursable)	94,786
Utility connections	178,000
Site work & parking garage	3,108,949
Construction costs	10,550,770
Interim financing expenses	637,152
Permanent financing expenses	528,563
Project reserves (required by permanent lender/bonding)	754,631
Construction contingency (about 5% of construction costs)	682,986
Builder & developer profit & overhead	2,562,070
Total Uses	$22,558,895

The City Plaza Apartment project is proposed to consist of the following housing units:

Number of Units	Bedrooms	Bathrooms	Percent of Area Median Income	Monthly Rent
2	Studio	1	40%	$389
10	Studio	1	50%	$496
52	1	1	60%	$638
40	2	1	60%	$764
72	2	2	60%	$764
24	3	2	60%	$877

The current balance of the City's Housing Trust Fund is $3,190,165, and the balance in the RDA Housing Trust Fund is $345,805. If the $850,000 loan is approved, the balance in the City's Housing Trust Fund will be $2,340,164. There are three other loan applications pending that will be forwarded to the Council after the April 7th Housing Trust Fund Board meeting. The City Plaza Apartment loan is the only project that is on hold from prior to the Housing Policy draft being sent out for public comment.

POTENTIAL MOTIONS:

The City Council has several options relating to this loan request including the following potential motions. It is normal practice for developers to transfer each project to a separate limited liability company. If the Council approves the loan, the loan will be transferred to Workforce Housing Utah I, LLC.

1. ["I move that the Council"] **Adopt a resolution authorizing $850,000 loan from the Salt Lake City Housing Trust Fund to Workforce Housing Utah I, LLC for the City Plaza Apartment Project.**
2. ["I move that the Council"] **Deny the loan request.**
3. ["I move that the Council"] **Request additional information and refer the request to a future Council meeting or work session for additional discussion.**

From: Kevin Keating [mailto:kevin679@cox.net]
Sent: Friday, March 25, 2005 3:40 PM
To: Mumford, Gary
Cc: Council Comments; PeterCorroon@hotmail.com; 'Chris Corroon'
Subject: RE: City Plaza Apartment Project - Pending HTF Loan Application

Mr. Mumford,

Here is our response to your request for information. Sorry for the length, but there is a lot of relevant information here that we hope you can share with the council members.

The general partner equity represents cash that will be contributed by the general partners to the operating entity "Workforce Housing Utah I, LLC". The equity contributions can be attributed to the payment of a number of different items. For example, the land cost is $2,610,818, add to that closing costs, title insurance fees, property insurance premiums, remediation of existing environmental issues identified in pre-demolition report, building demolition, site preparation and construction of a temporary driveway on South side of property to access adjacent parking lot behind Audio Works store, etc. To pay for all this the operating entity is borrowing $2,250,000 from a commercial lender and we are making a capital contribution to cover the rest of the amount. In addition, we have incurred other predevelopment expenses including professional fees for project feasibility studies, market studies, environmental studies, geotechnical studies, land use studies, preliminary site drawings and elevations, private activity bond application fees, tax credit application fees, travel & lodging expenses, appraisal fees, land surveys, architectural and engineering fees, bond extension fees, and the like. Additional contributions will be made to cover funding shortfalls during construction that are due to timing of funds availability from other funding sources. As funds become available from other sources some of these contributions will be reimbursed. In the end, the general partner equity contributions will take the form of cash ($548,169), deferred developer fees ($850,000) and probably a note receivable in an amount equal to the final tax credit equity installment ($716,000).

The general partner equity number ($2,114,169) is a stop gap number that represents the difference between the total development costs and the total sources. As discussed above, timing issues often arise where the developer incurs costs and expenses related to development before funds are available from other funding sources (such as the tax credit equity, HTF loan proceeds or bond proceeds). This process typically repeats itself several times before the property is fully leased and is producing operating income in excess of operating expenses. Both the tax credit equity and the bond proceeds have staged pay-in schedules, where the funds are released according to a staged pay-in or draw schedule. In our case, approximately $716,000 of the tax credit equity will not be available during construction because the final installment of tax credit equity will not be released by the tax credit syndicator until (1) the project is fully constructed and receives a certificate of occupancy, and (2) the project is leased to 90% stabilized occupancy for 90 consecutive days. Assuming a 10 month lease up period, plus the 90 days stabilized occupancy, that gives us approximately 13 months following construction completion before we are eligible to receive the final tax credit equity contribution. Again the general partners will have to contribute funds to pay expenses until they can be reimbursed from the final tax credit equity payment. If the property fails to lease up on schedule the tax credit investor can impose penalties on the developer such that a portion of the final tax credit equity payment may never be released. In a worst case scenario, the IRS could also recapture a portion of the tax credits if the project fails to lease up within the statutory time frames. The general partners are "at risk" for all funding shortfalls. It should also be noted that because of the rent restrictions placed on projects financed with low-income housing tax credits, these projects generally operate at a much smaller profit margin than would a competing new market rent project. The developer fee provides most of the financial incentive for the developer to do the project. Because of the low operating returns, these projects are typically financed without any general partner equity in the deal. You can confirm this with Robin Kemker, Executive Director of the Utah Housing Corporation.

The amount of our developer fee is limited by the Utah Housing Corporation in the tax credit application and at the Housing Trust Fund Advisory Committee's request we have agreed to defer receipt of at least $850,000 of developer fee. Of the amount remaining after deferral about half will be paid in installments during construction and the other half will be released after construction completion. The effect of deferring fees is that it frees up this $850,000 so it can be used to pay other construction costs. The developer fee is paid to the developer as compensation for the development team's time and efforts in putting the project together. It provides reimbursement for the developer's overhead, salaries, travel & lodging expense directly related to the project, office supplies, etc. during the course of development, construction and lease up, and it also provides some remuneration for the significant financial risk the developer faces in undertaking the project. It has taken us about 20 months to get to this point in the development. We anticipate another two months before we can start construction followed by a 14 month construction period and another 13 months to achieve 90 days stabilized occupancy. In all, that's approximately 49 months from start to finish if everything continues according to plan.

It's also important for the city council members to understand that the deferred developer fee gets paid out of net operating income from project operations. The deferred developer fee is paid in lieu of receiving net operating income (or net profits) from operations. It will take a little over 5 years for this project to pay off the deferred developer fee using 100% of the net operating income from the project. We are, in effect, substituting future income streams for current income. The developer is not earning both net operating income and deferred developer fees, its one or the other. Conversely, that means that if the project is paying off the deferred developer fee, it has no net profits available to distribute to the developers from current operations. This is significant because the developer/owner has time and effort and overhead invested in administering the day to day operations of the apartment project during that 5 year period. The sole benefit of converting net operating income to a deferred developer fee is that developer fee expense is an eligible expense and therefore includable in determining a projects eligible basis. The eligible basis is in turn used to compute the amount of tax credits that the project is eligible to receive. It's this type of innovative financing structure that makes this project feasible. Without it, this property would probably remain a surface parking lot (with a dilapidated and unsafe building on it) for the foreseeable future.

Uses of Funds:
Land cost: $2,610,818
Closing costs, title insurance w/ endorsements, property insurance, legal fees: $63,500
Pre-demolition remediation of existing environmental issues: $8,500
Bldg. Demolition /disposal fees: 80,000
Initial Site Work: $40,000 Removing and disposing of existing asphalt parking surface, constructing 250' access driveway on south property line to allow access to Audio Works parking lot, install shoring to adjoining building on South property line, site grading, moving and vacating utility and access easements.
Predevelopment costs of Seller: $136,500
Utility connections: $178,000
Impact fees and building permits: $272,786 (It's my understanding that you have to pay the impact fees at the time building permits are pulled and then, if you are eligible, you can apply for reimbursement.)
Site work & garage parking: $3,108,949
Architectural & Engineering: $616,384

Syndication costs: $25,500. Syndication costs refer to closing costs associated with closing on the sale of the tax credits to the tax credit syndicator. Typically, the syndicator will pass through the cost of such items as: legal fees for drafting and negotiating the operating agreement and reviewing due diligence items, the cost of obtaining an opinion of counsel regarding tax issues, updating market studies and appraisals, etc.

Project reserves are funded reserves required by the permanent lender and/or tax credit syndicator as a condition of closing. There are typically three types of reserves required (1) lease up reserves, (2) operating reserves, and (3) capital reserves.

Lease up reserves are funds reserved in escrow and released to help make debt service payments after construction has been completed and placed in service but before it is fully leased. Debt service payments begin shortly after construction completion even though only a few units are leased. The lease up reserve helps to make the debt service during the lease-up period.

Operating reserves are funds reserved in escrow to pay operating expenses during the lease up period and following lease up in the event the property isn't achieving stabilized occupancy levels. Basically, these funds are required to be available to fund operating deficits in the event the project experiences slow lease up or is otherwise performing poorly.

Capital Reserves are funds held in escrow to cover capital improvements in the event capital repairs need to be made. The capital reserve requirement for this project is $40,000 initial deposit and then $200 per unit annually for the term of the loan. The capital reserve account builds up over time so that funds are available to make capital repairs, replace carpets, appliances, mechanical systems, roofs, side walks, etc. over time. Capital reserves are not intended for day to day maintenance items, those items are paid out of current operating income.

Project reserves are totally different from construction contingency reserves. The construction contingency reserve is typically 5% to 10% of the total projected hard construction costs for the project. In our case we have a construction contingency equal to a little over 5% of the hard construction costs. Any cost overruns in excess of the construction contingency amount will have to be covered by the general partners. The construction contingency is a funded reserve account that is available to cover cost over-runs due to change orders, price escalations, cost over-runs, mistakes made during construction and so forth. If funds remain available in the construction contingency as we near construction completion it gives us the opportunity to provide some finish upgrades to lighting, appliances, carpets, etc. Because we were conservative in establishing our construction contingency reserve, we expect we will deplete all of our construction contingency reserve during the construction process.

Predevelopment Costs: $ All costs incurred on behalf of the project prior to the start of construction are considered pre-development costs.

Predevelopment Costs of the Seller: The seller agreed to advance funds towards project pre-development costs until we evaluated the opportunity and put our own financing together. The Seller owns the Questar Building and wanted to control the type of development that would be built next door to this major asset. In turn, we agreed to reimburse the seller for funds actually advanced on behalf of the project. Examples of project related costs advanced by the Seller include: professional fees for project feasibility studies, market studies, environmental studies, land use studies, preliminary site drawings and elevations, loan application fees, land carrying costs, private activity bond application fees, tax credit application fees, private activity bond extension fees, legal fees, real estate taxes and insurance, appraisal fees, topographic maps, land surveys, fees for architectural design competition, plus legal fees related to the removal or placement of utility easements, access easements and the like.

We thought it might be helpful if we responded more fully to a few of the questions posed by various council members at last week's council meeting.

Nancy Saxton asked about guarantees. We are required to sign personal guarantees for the construction loan and therefore have personal liability for all construction risk and market risk, i.e., the risk of price escalation or cost over-runs during construction, and market risk following construction if the apartment units do not lease up in accordance with the lease up schedule. The tax credits are not available until the units are leased so if the property fails to lease up on schedule the tax credit investor imposes penalties on the developer, such that a portion of the final equity payment may never be released. In the worst case, the IRS could recapture a portion of the tax credits if the project fails to lease up within statutory time frames. The developers personal liability under the guarantees continue during construction and lease-up until the construction loan converts to permanent when the project achieves 90 days stabilized occupancy. Although the loans remain secured by the project itself pursuant to a Deed of Trust once the construction loan converts to permanent, the loans become non-recourse against the developer.

Eric Jergensen wondered if our project was going to compete with another project (Alan Wood's condo project) the RDA was financing. We are supportive of Alan Woods project and believe it will be a nice addition to downtown. Peter and Chris Corroon discussed this issue with Alan Wood last year and we've also had conversations with David Oka and our market analyst James Wood. Our project targets a different market than Alan is targeting. The entry level price threshold for the for-sale condo's in Alan's project is above the affordability threshold for the tenants we will be targeting. At first appearance it looks like there might be some competition because the monthly mortgage payments on the least expensive for-sale condo units is within a couple hundred dollars a month of the rent for our 3 bedroom rental units. But this does not take into consideration the additional cost of real estate taxes, property insurance premiums, mortgage insurance premiums and condo association fees, which will add several hundred dollars a month to the cost of the condo's. An even bigger issue is the down payment requirement. Tenants who income qualify for our affordable units will not have the down payment required to purchase one of Alan's condo's and vice versa – if a tenant has the down payment and can income qualify for a mortgage to purchase one of Alan's condo's that tenant would not income qualify for our affordable units. Compliance with the income restrictions is closely monitored and strictly enforced.

As previously stated, we originally included 30 market rate units in our project but converted to 100% affordable when the RDA expressed concern about our market rate units competing with Alan's condo project. Please don't penalize us now because our project is 100% affordable when we changed the mix at the suggestion of the RDA.

A question was raised about our tenant income target. 95% of the units in City Plaza Apartments are income restricted to not more than 60% of the area medium income. We are delivering new units with amenities comparable to those included in new market rate product. According to our most recent market study, our rents are projected to be 10% to 20% below comparable new market rate rents.

A question was raised regarding the amount of our loan request. Compared to many other projects the council has funded, on a per unit basis this loan request is smaller than most. For example, the City Council previously approved a $300,000 loan for the 25 unit 2nd West Apartments at 925 South 200 West. That's amounts to $12,000 of funding per unit delivered. Comparatively, we are delivering 200 units for $850,000 or $4,250 of funding per unit. This $850,000 loan represents less than 5% of the total development cost. We would respectfully like to remind the council members that on January 15, 2004, the HTF Advisory Board unanimously supported our original loan application for $2,000,000. The HTF Advisory Board supported allocating $850,000 from current HTF funding but asked that the RDA appropriate an additional $1,150,000 to fund the whole loan. However, when we applied to the RDA for the RDA's portion of the loan we were told the RDA did not have funding available for projects outside the RDA area. As a result, we had to go back to the Private Activity Bond board and request additional bond cap to cover the shortfall. At that point, after we had successfully restructured our financing to cover the RDA's portion of the loan, LuAnn Clark advised us that because of the changes we would have to re-apply to Housing Trust Fund for the $850,000 loan previously approved. The

HTF Advisory Board believed the size of the loan was reasonable based on the size or our project and on July 22, 2004, evidenced their continued support for the project and unanimously reaffirmed the $850,000 loan. We tell this story because it demonstrates (i) the significant effort put forth by the developers to find an innovative funding solution and (ii) the support for the project by HTF Advisory Committee. We also didn't want to leave council members with the impression that we ignored another viable source of funding. Be assured, we fully investigated all our funding options.

We think it is both reasonable and fair for us to ask that our loan application be "grandfathered" and considered under the city housing policy that was in place at the time the application was submitted. Throughout the development process we met several times with staff from the RDA, Housing and Neighborhood Development, Utah Housing Corporation, Mayor Anderson's office and with Nancy Saxton to discuss this project. We listened to what were told about the city's preferences and housing policies. The City Plaza Apartment project is the culmination of those meetings. We designed a project that conformed to and promoted those same housing policies. We were encouraged to apply for city funding and have spent significant resources to bring the project to this point. The City Council's decision impacts more than this one loan application. It affects our entire financing structure. The private activity bond allocation and the federal low income housing tax credit allocation, both awarded months ago, are dependent upon this final piece of financing. Each time one source of funds requires a change, we are forced to go back and request an amendment and approval from the others. We've already received four extensions on our bond and our 5th extension request is pending. Because of the delays, it's too late to go back and request additional changes to our financing structure from the other sources. The PAB board is expecting us to close on the bond within the next calendar quarter. Our bond buyer and tax credit syndicator have also been waiting for us to close. We think it would be unfair and unjust if the City Council now says, "Sorry, we changed the rules".

In closing, I would just like to say that we have read the proposed housing policy statement and have offered constructive comments to the Council. We want to work in partnership with the city council to address the stated housing needs of the city. But let's move forward and not take a step backward. We're asking the council to approve this loan request so we can move forward with the City Plaza Apartment project. It's a worthy project and deserves city funding.

Thank you for your time and attention to this matter. We appreciate your assistance.

Kevin M. Keating
Urban Housing Partners, LLC

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March 11, 2005

Office of the City Council
451 So. State St. Rm 304
Salt Lake City, UT 84111

Re: Housing Trust Fund Loan Application for Workforce Housing Utah I, LLC, (f.k.a., "City Plaza Apartments")

Dear City Council Members,

Thank you for considering our Housing Trust Fund loan request. During the last 19 months our development team has been working hard and has invested heavily to make this exciting, transit friendly, downtown affordable housing development a reality. Developing high density affordable housing downtown comes with many unique and complex challenges not found in your typical suburban garden style development. Our development team, the general contractor, architects, engineers, city planning department staff, and our various financing partners have all been working hard to overcome those challenges. With your approval of this final aspect of our project financing we hope to start preparing the construction site within the next few weeks.

For purposes of brevity, we will provide bullet points of the main ideas expressed in the following Executive Summary. We hope you will have time to read all our comments before you consider our loan request.

Executive Summary

- During the last 19 months we have been working with our general contractor, architects, engineers and the city planning department to design a project that we could all be proud of. We have already invested over $300,000 dollars in this development. Most of this expense was incurred before we received notice that the City Council was considering developing a new housing policy.
- At the Utah Housing Coalition meeting last week Eric Jergensen and Nancy Saxton told those in attendance that the proposed Salt Lake City Housing Policy Statement was a first draft and encouraged us all to submit our comments.
- We agree with the Council and the Mayor in all areas of the proposed Housing Policy Statement (hereinafter, the "Housing Policy") except for Article M – City Funded Projects,

which proposes to use "Percentage of Poverty in Census Tract" as the determining factor for consideration of financial support by the City. The use of "Percentage Poverty in Census Tract" would create an artificial threshold for consideration of City funding. It may be more appropriate to look at a ratio of affordable units as a percentage of total housing inventory and set some threshold based on those percentages. Consideration should also be given to the percentage of older, declining properties versus newer affordable properties in a given area. Poverty isn't always associated with low income housing. For example, many elderly households are technically below the poverty line. However, 80% of the elderly in SL county own their homes and 60% of these households have paid off their mortgage. Yet because of the "percentage of poverty" threshold these elderly neighborhoods would not qualify for financial assistance.

- The proposed Housing Policy fails to differentiate between the various affordable housing programs. For example, a 4% tax credit or bond financed apartment with rent and income restrictions set at 50 - 80% AMI should be viewed differently than a 9% tax credit project with rent and income restrictions targeting tenants reporting 40% AMI and below. An apartment building with 50 - 80% AMI restrictions represents what we in the industry refer to as "workforce housing". The tenants living in 60% AMI apartments are often teachers, police officers, new college graduates, people working in the various service industries, and the like. Even though still considered low income, their incomes could substantially improve the average household income for an impoverished area.
- High density of poverty is driven by the lack of quality affordable housing in the area. The introduction of new affordable housing alternatives forces neighboring landlords to reinvest in their own properties in order to remain competitive. It can also have at very positive impact on the neighborhood environment regarding commercial development, improved property values, introducing a mix of higher income households, reduce blight, etc.
- Neighborhoods with the highest poverty rates are typically losing the higher income population as demand for quality affordable housing sends prospective tenants migrating into other neighborhoods searching for better quality housing. As this occurs, "tenant erosion" takes place, leaving only the poorest families to live in the remaining substandard properties. Neighborhoods change incrementally and projects that will improve a neighborhood, either because of the quality of a building or because their rental rates correspond to incomes higher than currently found in the neighborhood, should be supported.
- We are committed to developing safe, comfortable and affordable apartment communities. The City Plaza Apartment project was designed to help satisfy the City's need for affordable housing as described in the City's current housing plan.
- We proceeded in good faith believing that the City Council would treat us fairly and would review our application within the policies and procedures that were in place at the time. We have made a significant investment in time and treasure to bring this development to this point.
- The City Plaza Apartments project is a worthy development which benefits all the citizens of Salt Lake by addressing a very real affordable housing problem. Given the circumstances and timing of our application, we believe that it would be inherently unfair for the City Council to use a new housing policy as a basis for denying our loan application.

- We respectfully ask that you "grandfather" our loan application and consider it under the housing policy that was in effect when it was submitted and subsequently approved by both the HTF Advisory Board and the Mayor.

Our History

Early in the development process we met with the various city agencies to discuss both development plans and financing options. We also met with and garnered the approval of community organizations such as the Chamber of Commerce, the Central District Community Council and the Downtown Alliance. Considerable time was spent reviewing both the Salt Lake City Five-Year Consolidated Plan for 2000 – 2005 and the Salt Lake City Community Housing Plan Development to ensure that our development was designed with the stated goals of the City in mind. In September of 2003 we submitted a low-income housing tax credit application to the Utah Housing Corporation ("UHC") for 9% tax credits, targeting renters at 41% area median income ("AMI"). During subsequent discussions with the executive director at UHC we learned that, to be competitive, we would have to lower our tenant income target to 35 - 39% AMI. Concerned about creating a concentration of low income tenants in this high density project we took the initiative to withdraw our pending application and we re-applied for 4% tax credits, targeting tenants at 60% AMI. This strategy was proved successful and in January 2004 the UHC awarded this project private activity bond cap and an allocation of low income housing tax credits.

During this same time frame we submitted a Housing Trust Fund ("HTF") loan application and subsequently appeared before the HTF Advisory Committee, which recommended approval of our loan request for the City Plaza Apartments. Shortly thereafter, we learned that the RDA was concerned the market rate units in our affordable development would be competing with a market rate project that was receiving financial assistance from the RDA. To alleviate those concerns we changed our affordability mix to 100% affordable and again restructured our financing. After discussing these changes with LuAnn Clark we were told that the changes would necessitate that we update and re-submit our HTF loan application and go through the loan review process again. On July 22, 2004, the Housing Trust Fund Advisory Committee considered and approved our loan request for the second time. When we tried to get on the City Council docket last fall we were first told the docket was full and then on September 15, 2004, we received notice from LuAnn Clark that the City Council would not consider any HTF loan applications until the new housing study was completed.

Where are we are today?

The private activity bond allocation awarded to the City Plaza Apartments project by the State allocating agency requires that we close on the bond within a relatively short period of time. To buy additional time, we have already requested four (4) quarterly extensions to our bond allocation. Each quarterly extension is now costing us $8,000 a piece. We have been told by the Private Activity Bond Review Board that they expect us to close on the bond within the next calendar quarter, which ends in July. If we fail to close within that time frame we risk losing both our bond allocation and also the tax credit allocation, since they are interdependent. Failing to close on the bond would be viewed as a black mark against our development team's record and could inhibit our ability to complete successfully in future projects financed by the bond allocating authority in Utah and by bond allocating authorities nationally.

Through out this period we have also been working with our general contractor, architects, engineers and the city planning department to design a project that we could all be proud of. In total, we have already invested over $300,000 dollars in this development. Most of this expense was incurred before we received notice that the City Council was considering developing a new housing policy.

Just a couple weeks ago we were notified by LuAnn Clark that our HTF loan application had received approval from the mayor's office and had been forwarded to the City Council for final approval.

Comments regarding Proposed Salt Lake City Housing Policy Statement
At the Utah Housing Coalition meeting last week, council members Eric Jergensen and Nancy Saxton told those in attendance that the proposed Salt Lake City Housing Policy Statement was a first draft and encouraged us all to submit our comments. We are keenly interested in this issue and respectfully offer the following comments for your consideration.

We respect what the Council and the Mayor are trying to accomplish and we firmly agree that high concentrations of poverty in any area is a valid concern. The genuineness of our concern is evidenced by our own actions in December 2003. When faced with the decision whether to compete for 9% tax credits at 35 - 39% AMI or compete for 4% tax credits but at 60% AMI, we voluntarily withdrew our 9% tax credit application to the Utah Housing Corporation and resubmitted it as a 4% tax credit and private activity bond application. This was done specifically to could avoid creating what we recognized would be a high concentration of very low income tenants in a high density downtown project. Our actions may have been different if this was a much smaller project.

Upon review of the proposed Housing Policy, we can agree with the Council and the Mayor in all areas of the proposed Housing Policy Statement (hereinafter, the "Housing Policy") except for Article M – City Funded Projects, which proposes to use "Percentage of Poverty in Census Tract" as the determining factor for consideration of financial support by the City. The use of "Percentage Poverty in Census Tract" as the determining factor would create an artificial threshold for consideration of City funding that would inhibit development of affordable housing in many needy areas. It may be more appropriate to look at a ratio of affordable units as a percentage of total housing inventory and set some threshold based on those percentages. Consideration should also be given to the percentage of older, declining properties versus newer affordable properties. Poverty isn't always associated with low income housing. For example, many elderly households, of which Salt Lake has a disproportionate share, are technically below the poverty line. However, 80% of the elderly in the county own their own homes and 60% of these households have paid their mortgages off. Under the proposed "percentage of poverty" measure, these neighborhoods with concentrations of elderly households, which very well may not have any affordable housing projects, would be tracts excluded from receiving any housing assistance under the proposed Housing Policy.

On the other end of the spectrum, the proposed Housing Policy substantially under estimates the economic realities developers of affordable housing face due to zoning and community opposition in higher income neighborhoods that would qualify for financial assistance because there is very low percentage of poverty. People won't live where they don't feel welcomed. There is also the social reality that people tend to live in neighborhoods where they are in economic parity with their neighbors. That reality may make it difficult for affordable housing developers to lease up and maintain occupancies at acceptable (i.e., profitable) levels.

The city needs a housing policy that encourages developers to deliver more affordable housing in these high poverty areas, not less. The proposed Housing Policy in its current form also does not appear to take into consideration:

- Using an artificial threshold such as "Percentage of Poverty in Census Tract" as the determining factor overlooks the many benefits the availability of new affordable housing can have on high poverty neighborhoods. Often, in the high poverty areas, the high density of poverty is driven by the lack of quality affordable housing in the area. Higher income families are not going to move into an area unless quality affordable housing is available. As newer, higher quality units become available, more discerning higher income families will move into the neighborhood and the concentration (or percentage) of very low income families in an area is diluted.

- In its current form, the proposed Housing Policy also fails to differentiate between the various affordable housing programs available to developers. For example, a 4% tax credit or bond financed apartment with rent and income restrictions set at 50 - 60% AMI should be viewed differently than a 9% tax credit project with rent and income restrictions targeting tenants reporting 40% AMI and below. An apartment building with 50 - 80% AMI restrictions represents what we in the industry refer to as "workforce housing". The tenants living in these 60% AMI apartments are often teachers, police officers, new college graduates, people working in the various service industries, and the like. A family of four whose household income is at 60% AMI is earning approximately $36,840. This is slightly more than the median income reported for all apartment dwellers in Salt Lake City and 50% more than those families living right at the poverty line.

- The lack of availability of quality affordable housing in these high poverty areas. Typically, neighborhoods with the highest poverty rates are in fact losing the higher income population as demand for quality affordable housing sends prospective tenants migrating into other neighborhoods searching for better quality housing. As this occurs, "tenant erosion" takes place, leaving only the poorest families to live in the remaining substandard properties. The Salt Lake central business district has the distinction of having a disproportionately high percentage of substandard quality housing. Neighborhoods change incrementally and projects that will improve a neighborhood, either because of the quality of a building or because their rental rates correspond to incomes higher than currently found in the neighborhood, should be supported.

- The introduction of new affordable housing alternatives forces neighboring landlords to reinvest in their own properties in order to remain competitive. It can also have a very positive impact on the neighborhood environment regarding commercial development, improved property values, introducing a mix of higher income households, reduce blight, etc. Recent examples demonstrating how affordable housing can positively impact a neighborhood are the City Front Apartments (North Temple 500 West) and the three small projects at 900 South and 200 West (including 2nd West Apartments, which was completed last spring).

- High occupancy levels in substandard housing is often an indication of a lack of quality affordable housing alternatives. According to data cited in the Community Housing Plan Development (data provided by Equimark Properties, Inc., Greater Salt Lake Multifamily Report, January 2000) 45% of the renters in the Salt Lake City metropolitan area are unable to afford Fair Market Rents based on their income. According to it's own "Affordable Housing Needs Analysis" Salt Lake City has a tremendous need for more affordable housing to be developed within city boundaries.

- The significant number of market rate and luxury apartments and condos either already under construction or proposed for construction in the near future in Salt Lake City. The LDS church alone is proposing the construction of several hundred higher end market rate units downtown over the next several years. While this is truly a positive development for downtown Salt Lake City, the influx of additional workers that will be needed in the various service industries will likely exacerbate the need for yet more affordable housing down town.

- According to James A. Wood, Director of Economic and Business Research, University of Utah, the City has about 36,000 renter households. Currently 58 percent of all renter households in the City of Salt Lake have incomes at or below 60% AMI. Therefore, with 36,000 renter households in the City, nearly 21,000 renter households would income qualify at the 60% AMI target. The affordable needs are only partially met by the existing affordable housing programs:

Tax Credit Units	1,700
Section 8 Voucher	2,900
Public Housing	632
HUD project based units	1,500
Total	6,732

These numbers show that nearly 14,000 moderate and low income renter households live in market rate units. These market rate units are too often low quality and high priced for what the tenant gets. It is clear that demand for affordable units far exceeds the supply. And a supply of affordable units is essential near the Central Business District, which has an employment base of 60,000. Many of the jobs in the CBD are relatively low income jobs (i.e., retail, service and hospitality sectors, etc.) and employees often cannot afford to commute long distances. They would be better served if they could find affordable housing near their employment.

Conclusion

We are committed to developing safe, comfortable and affordable apartment communities that we would be proud to have a sibling or parent or grandparent call home. The 200 apartment units proposed in the City Plaza Apartment project will help satisfy the City's need for affordable housing. Without the financial incentives offered by the federal low-income housing tax credit program coupled with state incentive programs such as the Salt Lake City Housing Trust Fund loan program, most affordable housing developments would not be possible. We engaged the City early in the process to ensure that we designed a project that incorporates many of the elements described in the City's current housing plan. We proceeded in good faith believing that the City Council would treat us fairly and would review our application within the policies and procedures that were in place at the time. We have made a significant investment in time and treasure to bring this development to this point.

The City Plaza Apartments project is a worthy development which benefits all the citizens of Salt Lake by addressing a very real affordable housing problem and for that reason it should be supported by the City. Given the circumstances and timing of our application, we believe that it would be inherently unfair to use a new housing policy as a basis for denying our loan application. We respectfully ask that you "grandfather" our loan application and consider it under the housing policy that was in effect when it was submitted and approved by the HTF Advisory Board.

We are grateful for your consideration of this loan application and look forward to partnering with the City to address the need for quality affordable housing. Thank you again for your time and consideration of this request. I respectfully invite your inquiry if you have any questions concerning any aspect of our proposed development or in connection with the loan application. Peter Corroon can be reached at (801) 597-7471 or you can reach me at (402) 504-1942 or by email at kevin679@cox.net.

Sincerely,

Kevin Keating

Kevin M. Keating

Peter M. Corroon

SEP 8 2004

ALISON WEYHER
DIRECTOR

SALT LAKE CITY CORPORATION
COMMUNITY AND ECONOMIC DEVELOPMENT

ROSS C. "ROCKY" ANDERSON
MAYOR

COUNCIL TRANSMITTAL

TO: Rocky Fluhart, Chief Administrative Officer **DATE:** August 26, 2004

FROM: Lee Martinez, Community Development Director

RE: A resolution authorizing the Mayor to execute a loan agreement between Salt Lake City Corporation and HMG Properties, LLC, for the construction of the City Plaza Apartment project to be located at 134-164 South 200 East in Salt Lake City, Utah.

STAFF CONTACT: LuAnn Clark

RECOMMENDATION: That the City Council schedule this item on its agenda

DOCUMENT TYPE: Resolution

BUDGET IMPACT: An $850,000 loan will be made from the Housing Trust Fund. Additionally, because of the affordable nature of the project, all 200 units will be eligible for an impact fee exemption, resulting in a total exemption of $178,000. The General Fund will have to cover the exemption.

DISCUSSION: HMG Properties, LLC, is requesting an $850,000 loan for 40 years at 2.45% interest from the City's Housing Trust Fund to construct the City Plaza Apartment project to be located at 134-164 South 200 East, consisting of 200 affordable units for households with incomes at 60% of area median income or less.

The loan requested from the Housing Trust Fund will be leveraged with funds provided by The Richman Group, PNC Multifamily Capital. The City will be in third position on the loan. It is anticipated the total cost of the project will be $18,439,427. The loan will be transferred to a limited liability company upon its organization.

In January 2004 the Housing Trust Fund Advisory Board approved this request subject to the applicant receiving funding from the Redevelopment Agency of Salt Lake City. On July 22, 2004, the Housing Trust Fund Advisory Board again reviewed this proposal due to changes in the affordability mix of the units and the financial structuring of the project. The Board recommended approval of an $850,000 loan for 40 years at 2.45% subject to the developers deferring an amount not less than $850,000 for their developer fee. The Housing Trust Fund Advisory Board meeting minutes and staff evaluation are attached. The Central City Community Council supports this project.

The current balance of the City's Housing Trust Fund is $2,850,473; approval of this loan request would leave the fund balance at $2,000,473.

RESOLUTION NO. _____ OF 2004

AUTHORIZING A LOAN FROM
SALT LAKE CITY'S HOUSING TRUST FUND
TO HMG PROPERTIES, LLC FOR
THE CITY PLAZA APARTMENT PROJECT

WHEREAS, Salt Lake City Corporation (the City) has a Housing Trust Fund to encourage affordable and special needs housing development within the City; and

WHEREAS, HMG Properties, LLC, an Illinois limited liability company, has applied to the City for an $850,000 loan at 2.45% for 40 years to purchase property and to construct the City Plaza Apartment project to be located at 134-164 South 200 East, consisting of 200 affordable units for households with incomes at 60% of area median income or less.

THEREFORE, BE IT RESOLVED by the City Council of Salt Lake City, Utah:

1. It does hereby approve Salt Lake City to enter into a loan agreement with HMG Properties, LLC, an Illinois limited liability company, for $850,000 at 2.45% for 40 years from Salt Lake City's Housing Trust Fund.

2. HMG Properties will use the loan to purchase property and to construct the City Plaza Apartment Project at 134-164 South 200 East in Salt Lake City, Utah.

3. The loan requested from the Housing Trust Fund will be used for property acquisition and construction. These funds will be leveraged with funds provided by The Richman Group and PNC Multifamily Capital. The City will be in third position on the loan. It is anticipated the total cost of the project will be $18, 439.427. The loan will be transferred to a limited liability company upon its organization.

4. Ross C. Anderson, Mayor of Salt Lake City, Utah, following approval of the City Attorney, is hereby authorized to execute the requisite loan agreement documents on behalf of Salt Lake City Corporation and to act in accordance with their terms.

Passed by the City Council of Salt Lake City, Utah, this __________ day of ____________________, 2004.

SALT LAKE CITY COUNCIL

By: ________________________
CHAIR

ATTEST:

APPROVED AS TO FORM
SALT LAKE CITY ATTORNEY'S OFFICE
DATE: 9/9/2004
BY: [signature]

____
CHIEF DEPUTY CITY RECORDER

EVALUATION
SALT LAKE CITY HOUSING TRUST FUND

Name of Organization: HMG Properties, LLC

Name of Project: City Plaza Apartments

Location of Project: 134-164 South 200 East

Project Description: The project proposal has changed to be 100% affordable and will consist of 200 units. The previous proposal consisted of 170 affordable units and 30 market rate units. The affordable rents will target households at 60% or less of area median income. Plans also include 236 underground parking stalls, a small outdoor plaza and/or roof garden. Future development plans might include a separate multi-level parking structure and a high-rise commercial office building adjacent to this site.

AMI Targets:		Rents:
40% - 2	studio/one bath units	$389
50% - 10	studio/one bath units	$496
60% - 42	one bedroom/one bath units	$638
60% - 40	two bedroom/two bath units	$764
60% - 52	two bedroom/two bath units	$764
60% - 24	three bedroom/two bath units	$877

This project is located in the city's census tract with the second lowest average income ($21,131). The adjoining census tract to the east has the lowest income ($16,978)

NOTE: This project was reviewed and a loan for $850,000 was approved by the Housing Trust Fund Advisory Board in January 2004. The applicant, however, was unable to secure RDA funding. The configuration of the project has also changed from a mixed-income project to a 100% affordable project and the board needs to consider this as a new application.

Amount and terms requested: A loan for $850,000 at 2.45% for 40 years with interest only during construction and lease-up (the first 24 months) was approved at the January 2004 Housing Trust Fund meeting. The applicant is seeking approval again of the same amount and the same terms.

Is the entire project eligible for Housing Trust Fund money?
Under the new configuration, the entire project is eligible for Housing Trust Fund monies.

Are the funds leveraged with non-government dollars? Yes

Proposed Funding:

Equity	LIHTC	$ 3,945,676
Equity	State Tax Credits	126,468
Equity	General Partners	2,114,169
1st Mortgage	Private Activity Bond	11,403,114
2nd Mortgage	SLC Housing Trust Fund	850,000
		$18,439,427

Does the requesting agency have sufficient cash flow to repay the loan?

Rents from the project will be the source of the loan repayment.

Does the project have demonstrated community support?

Yes. A letter from the Central City Community Council is attached to the application.

Does the requesting agency have a track record of owning, operating and maintaining this type of housing project?

HMG Properties is a real estate investment company that, with its partners, owns and manages approximately $500 million of investment real estate properties throughout the United States. It is unclear, however, if these properties include residential projects similar to this proposal. Mr. Corroon has only a verbal agreement with HMG Properties relative to management and ownership in the partnership agreement. Salt Lake City has no history with the out-of-state, for profit developers, HMG Properties or PacifiCap Properties.

The Board may wish to ask Mr. Corroon for additional information on his organization's relationship with HMG Properties and the property management issues related to this project. If Mr. Corroon's organization is not chosen as the property manager, the City could end up dealing with an unknown entity on this project. The Board may also wish to ask Mr. Corroon to describe his expertise with a project of this size and type.

Project Strengths:

The project would provide 200 units of affordable housing.

Project rents are in line with the market study. The market study supports the construction of this project. The market study was completed by an appraiser on Utah Housing Corporation's list of approved appraisers

The project meets priority goals of the Salt Lake City Community Housing Plan to increase the City's housing stock, particularly by increasing the number of affordable housing units.

The project will remain affordable for 51 years.

The Central City Community Council voted to support this project.

Project Weaknesses:

Property Management for this project is an unknown factor and the City has no history with the out-of-state for profit developers. HMG has no loan history with Salt Lake City. Peter Corroon is selling his project at 925 South 200 West and will be returning to the Housing Trust Fund Board to request an assignment of his Housing Trust Fund loan for that project.

The Market Study states that the 24 three bedroom units have the greatest risk. According to the Market Study: "The three bedroom units imply demand by families but relatively few families rent downtown. Three bedrooms will depend on roommate situations for lease-up, e.g. student market."

The project has been reconfigured as a 100% affordable project. There is no other 100% affordable project in the city of this size. The City's policy is to support mixed-income projects.

It appears from the pro forma that none of the developer's fee is being deferred and that the developer will be taking his money out at the time of closing.

Board Options

Waive the Board's policy on loan caps and approve the request as presented subject to the project being awarded the private activity bond and receiving each of the funding sources outlined in the application in order to ensure a full funding package for the project. The Board may wish to specify that City funds should be the last funds to be put into the project.

Approve the request at a lower dollar amount to reflect the Board's policy on loan amounts in an effort to ensure the account has adequate funds for future projects.

Deny the request.

HOUSING TRUST FUND ADVISORY BOARD
Meeting of July 22, 2004

The following board members were in attendance: Curtis Anderson, Ed Barbanell, John Francis, Daniel Greenwood, Cara Lingstuyl, Kent Moore, Peter Morgan, Nancy Pace, and Geneva Powell. 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 12:16 p.m.

Cara Lingstuyl motioned to approve the January 15th and March 25th minutes. Geneva Powell seconded the motion. All voted "Aye." The motion passed.

Kent Moore welcomed new Board member, Nancy Pace. Ms. Pace introduced herself and briefed the Board on her previous experience as a City Council member and Board of Adjustment member.

Reconsider the request from Multi-Ethnic Development Corporation for a short term loan (less than five years) of $300,000 at 3% to construct the 700 South Condo Project consisting of 5 live/work spaces and 30 condominium units on the southeast corner of 700 South and 200 West. Twenty percent of the units (7) will be targeted for sale to those with incomes at 80% of area median income or less.

Mr. Justin Belliveau of MEDC presented the loan request to the Board providing the information that had been requested by the Board at the meeting in March.

Mr. Belliveau stated they have refined their projections and finances with Morgan Stanley and U.S. Bank who have expressed an interest in financing this project. Mr. Belliveau said the HTF loan will be repaid from sale proceeds and all 35 units should sell within 24 months from beginning of construction. Mr. Belliveau explained the revised pre-sale terms required by U.S. Bank. He provided new documentation to the Board that U.S. Bank will accept sales guarantees and is no longer requiring 50% of the units to be pre-sold.

A lengthy discussion followed in regard to the affordability requirements for short-term loans. The Board requested restrictions be placed on the loan in order to avoid buyers selling short term for financial gain. The Board expressed concern regarding repayment of the loan and the affordability requirements if the units do not sell within five years.

Luann Clark acknowledged the Board's concerns but indicated that the City Council had recently adopted an amendment to the Housing Trust Fund ordinance that only restricts the first homeowner who purchases the property. Ms. Clark said the City Council reviewed the ordinance and wanted to provide homeownership opportunities to the community and therefore, the ordinance does not require the developer to maintain affordability for the five-year period.

The Board presented questions to Mr. Belliveau regarding the financing and availability of funds to comply with U.S. Bank's terms and repayment of the loan. Mr. Belliveau acknowledged the Board's concerns but stated that he would need to confer with Claudia O'Grady of MEDC. It was decided to table the discussion until Mr. Belliveau consults with Ms. O'Grady.

Mr. Belliveau consulted with Ms. O'Grady and reapproached the table. Extensive discussion continued regarding financing, repayment of the HTF loan and the City's position. Daniel Greenwood motioned to approve a $300,000 loan at 3% for less than five years for the 700 South Condominium Project subject to a five-year restriction on affordability being placed on the units. Cara Lingstuyl seconded the motion. Curtis Anderson suggested an amendment to the motion that any net proceeds paid to any lender not exceed 100%. Mr. Greenwood and Ms. Lingstuyl accepted the amendment to the motion and the second.

Curtis Anderson suggested an additional amendment to the motion that the loan must be paid off within five years or within 90 days of the sale of the last unit. Mr. Greenwood and Ms. Lingstuyl accepted the amendment to the motion and the second.

Following a discussion by the Board, Mr. Greenwood withdrew his motion. Cara Lingstuyl motioned to deny MEDC's request. John Francis seconded the motion. Cara Lingstuyl and John Francis voted "Aye." Curtis Anderson, Ed Barbanell, Peter Morgan, Nancy Pace and Geneva Powell voted "Nay." The motion failed.

Daniel Greenwood motioned to table the applicant's request. Cara Lingstuyl seconded the motion. Curtis Anderson, John Francis, Daniel Greenwood, Cara Lingstuyl, Nancy Pace and Geneva Powell voted "Aye." Ed Barbanell and Peter Morgan opposed. The motion passed.

Following further discussion by the Board, Daniel Greenwood motioned to reopen the 700 South Condominium Project request. Ed Barbanell seconded the motion. All voted "Aye." The motion passed.

Daniel Greenwood then moved to approve a $300,000 loan at 3% subject to the net proceeds paid to any lender not exceeding 100%, that the units retain their affordability for a period of five years, that the manner established to monitor the affordability period be delegated to and approved by the Director of Housing and Neighborhood Development; and that the loan be repaid in less than five years or within 90 days of the sale of the last unit. Ed Barbanell seconded the motion. All voted "Aye" with the exception of John Francis who was opposed. The motion passed.

Consider a request from Utah Nonprofit Housing Corporation for a $700,000 loan at 1% interest to be amortized over thirty years to rehabilitate the Milestone Apartment project. The project consists of four separate buildings containing a total of 141 units.

Mr. Dave Johnson of Kier Corporation, general partner of Milestone Housing Associates and Mr. Marion Willey of Utah Nonprofit Housing Corporation were present to provide details and answer questions in regard to the rehabilitation of the Milestone Apartment Project.

Mr. Johnson said the project, consisting of four existing buildings, has expiring Section 8 contracts and is currently going through HUD's Mark to Market restructuring process. Mr. Johnson explained the Mark to Market restructuring process and that the project is being acquired by UNPHC in order to preserve its affordability.

Mr. Willey said approval of the HTF loan would preserve and renew the Section 8 contracts providing significant federal dollars for subsidized housing. Mr. Willey said that without preservation of the Section 8 contracts, the project would be at risk of being sold and the City's affordable housing stock would be adversely affected.

The Board asked for further explanation of the Mark to Market restructure. Mr. Johnson explained as part of the HUD restructuring, the project will receive a 20 year Section 8 contract with the agreement to keep the project affordable for 10 additional years and the nonprofit assigned with the second mortgage consents to keeping the project affordable for 50 years. Mr. Johnson said if the 20 year contract is not retained all of the HUD Section 8 units would be lost. Mr. Johnson stated that HUD restructures existing rents to new market rate rents whereby mortgage debt is restructured to a 1.2 debt. The debt balance, reserves and rehab upgrades of the project will be funded with a second mortgage. Mr. Johnson said that the funds provided by HTF will be used to preserve the project and will offset depreciation and taxes.

The Board inquired about the cash flow projection and Mr. Johnson explained in detail the cash flow projection in relation to HUD's program for the second mortgage.

Ed Barbanell motioned to approve a $700,000 loan at 1% to be amortized over thirty years for the Milestone Apartment Project and to allow flexibility to adjust the exact amount of the loan and to allow the loan to become a cash flow loan if required due to federal regulations associated with the Mark to Market financial restructuring of the project. Daniel Greenwood seconded the motion. All voted "Aye." The motion passed.

Consider a request from Peter Corroon, representing HMG Properties, for an $850,000 loan at 2.45% over 40 years to construct the City Plaza Apartment Project to be located at 134-164 South 200 East. An $850,000 loan was approved for this project by the Board in January 2004; however, the unit mix has changed to 100% of the 200 units as affordable units and the financing has been reconfigured.

Mr. Peter Corroon and Mr. Kevin Keating representing HMG Properties were present to provide an update on the request since their presentation to the Board in January.

Mr. Corroon acknowledged the fact that in January the Board approved $850,000 in funding for the project, subject to additional funding to be obtained from the RDA. Mr. Corroon said RDA funds are minimal and that the RDA currently is waiting for the City to adopt new housing policies before funding any new housing projects.

Mr. Keating explained in detail the restructuring of the project in regard to the configuration from mixed-income to 100% affordable and the revised bond financing as they were unable to secure RDA funding.

The Board inquired about the developer's fee and Mr. Keating explained that the developer's fee is coming from Equity, builder and developer profit and overhead funds. The Board and Mr. Keating discussed in detail the project funding and how the HTF monies will be used for construction costs, land acquisition and provide permanent gap financing to make this project financially feasible.

Ed Barbanell motioned to reaffirm the January 2004 approval of an $850,000 loan at 2.45% over forty years for the City Plaza Apartment Project based on the changes to the project as presented and subject to the developers deferring in an amount not less than $850,000 for their developer fee. John Francis seconded the motion. All voted "Aye." The motion passed.

Schedule next meeting

The next HTF Advisory Board meeting is scheduled for Thursday, August 19, 2004.

There being no further business, the meeting adjourned at 2:45 p.m.