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# SALT LAKE CITY COUNCIL STAFF REPORT

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**DATE:** June 3, 2005

**SUBJECT:** Salt Lake City Housing Trust Fund Additional Loan to Utah Nonprofit Housing Corporation to Help Offset Increased Cost of Construction of the Liberty Wells Retirement Community project

**AFFECTED COUNCIL DISTRICTS:** District 4

**STAFF REPORT BY:** Gary Mumford

**ADMINISTRATIVE DEPT.** Housing and Neighborhood Development

**AND CONTACT PERSON:** LuAnn Clark

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The Council held a briefing regarding this proposed loan on May 31, 2005 in which the following items were discussed:

- The current balance of the Housing Trust Fund is \$2,340,165. Approval of this loan will leave a balance of \$2,240,165. The balance in the RDA Housing Trust Fund is \$554,755 for a combined total of about \$2,800,000 for both Housing Trust Funds. Repayments from existing loans will continue to add to the available amount in the trust funds.
- The combination of this loan (\$100,000) and the previous loan (\$250,000) will exceed the \$300,000 cap set by the Housing Trust Fund Advisory Board. Because of the need for senior housing, the Housing Trust Fund Board waived their maximum loan policy and is recommending the additional \$100,000 loan.
- The Utah Nonprofit Housing Corporation under estimated its costs because of significant increases in the cost of construction materials. In addition parking was originally to be located on an existing surface parking lot in addition to under the structure. At the request of the neighborhood, all parking will now be under the structure (ground level). This concession to the neighborhood as well as neighborhood requests for changes to lighting and fencing added to the cost of the project. Options to an additional City loan include seeking more funds from the Olene Walker Trust Fund or eliminating some amenities requested by the neighborhood. The Utah Nonprofit Housing Corporation have initiated controls to help prevent these types of overruns in future projects.
- Salt Lake City's past housing policy and draft policy require mixed income units in housing projects. The past and draft policies allow for review on a case by case basis for special needs housing such as for the elderly.

## POTENTIAL MOTIONS:

1. ["I move that the Council"] **Adopt a resolution authorizing a \$100,000 second loan from the Salt Lake City Housing Trust Fund to Utah Nonprofit Housing Corporation for the Liberty Wells Retirement Community Project.**
2. ["I move that the Council"] **Deny the loan request.**

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

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On February 10, 2004, the City Council authorized a \$250,000 housing trust fund loan to Utah Nonprofit Housing Corporation for the Liberty Wells Retirement Community project located at 260 East 800 South. The project is currently under construction. The original estimated project costs were \$4,959,000. Because of significant increases in construction costs, the project is now estimated to cost \$5,842,000. Utah Nonprofit Housing applied for and received additional tax credits to offset some of the increased costs, and it will meet with the state to request additional funds. Utah Nonprofit Housing is requesting an additional City loan. The Housing Trust Fund Advisory Board recommends a \$100,000 additional loan for 30 years at 2% interest with payments deferred until January 2006.

The Liberty Wells Retirement Community project consists of 51 units in one 4-story building with an elevator. Forty-five of the units are one-bedroom and 6 have two bedrooms. The complex will have a coin-operated laundry room, a health and wellness room, and a community room. The project is located near the Liberty Senior Center (251 East 700 South).

The project will consist of thirteen units at 35% of area median income (AMI), 28 units at 40% AMI, 8 units at 45% AMI and 2 units at 50% AMI. The project financing is based on area median income rents being between \$347 and \$461 for one bedroom units and \$479 to \$617 for two bedroom units.

The project will remain affordable for 99 years and will have five units for mentally ill residents and four wheelchair accessible units set aside. According to the transmittal, Utah Nonprofit Housing Corporation has successfully built, developed, owned and rehabilitated similar projects. The Central City Community Council reviewed this project on March 5 and June 4, 2003 and voted to support it.

Utah Nonprofit Housing Corporation is making payments on the original loan since the loan request did not ask that the repayments be deferred until construction was completed. Utah Nonprofit is now asking that the payments on both the new loan and remaining payments on the original loan be deferred until January 2006 when rental income is available.

A. LOUIS ZUNGUZE  
PLANNING DIRECTOR

BRENT B. WILDE  
DEPUTY PLANNING DIRECTOR

DOUGLAS L. WHEELWRIGHT, AICP  
DEPUTY PLANNING DIRECTOR

**SALT LAKE CITY CORPORATION**  
COMMUNITY DEVELOPMENT  
PLANNING AND ZONING DIVISION

ROSS C. ANDERSON  
MAYOR

**COUNCIL TRANSMITTAL**

**TO:** Rocky J. Fluhart, Chief Administrative Officer **DATE:** May 3, 2005

**FROM:** Louis Zunguze, Community Development Director

**SUBJECT:** A resolution authorizing the Mayor to execute a second loan agreement between Salt Lake City Corporation and Utah Nonprofit Housing Corporation, for additional funding for the construction of the Liberty Wells Retirement Community project to be located at 260 East 800 South in Salt Lake City, Utah

**STAFF CONTACTS:** LuAnn Clark at 535-6136

**ACTION REQUIRED:** Adoption of a Resolution by City Council

**DOCUMENT TYPE:** Resolution

**BUDGET IMPACT:** None

**DISCUSSION:** Utah Nonprofit Housing Corporation is requesting an additional \$150,000 loan for 30 years at 2% interest from the City's Housing Trust Fund to complete construction of the Liberty Wells Retirement Community project to be located at 260 East 800 South, consisting of 45 one-bedroom units and 6 two-bedroom units for low-income seniors. All units will serve individuals at or below 50% area median income. The building will consist of four stories with an elevator, landscaped grounds, on-site laundry facilities, a library, a community room, a health and wellness room and secure underground parking. The Housing Trust Fund Advisory Board recommended approval of the request on December 18, 2003. On February 10, 2004, the City Council approved the request for a \$250,000 loan for 30 years at 2.5%.

Utah Nonprofit is now requesting an additional \$150,000 due to increased construction costs as well as deferral of loan payments for the original \$250,000 loan and the new loan until January 2006, when the project has been completed and will be earning rental income. They are currently making payments on the original loan.

On April 7, 2005, the Housing Trust Fund Advisory Board reviewed the new loan request but determined additional information was needed and another meeting with Utah Nonprofit would be necessary to finalize their decision. A subcommittee was formed and given the authority to make the final recommendation on the project in order to move the request forward in a timely manner. The subcommittee met on Monday, April 11, 2005, and voted to recommend approval for a \$100,000 loan instead of the requested \$150,000 for 30 years at 2% interest with payments deferred until January 2006. An email was sent to the Board asking them to confirm the subcommittee's recommendation.

The Housing Trust Fund Board also voted to recommend approval of the request for a \$100,000 loan instead of the requested \$150,000 for the loan payment deferral on the original

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loan until January 2006. Copies of the staff report and the Housing Trust Fund Advisory Board minutes are attached.

The current balance of the City's Housing Trust Fund is \$2,340,165; approval of this loan request would leave the fund balance at \$2,240,165.

RESOLUTION NO. \_\_\_\_ OF 2005

AUTHORIZING A SECOND LOAN FROM  
SALT LAKE CITY'S HOUSING TRUST FUND  
TO UTAH NONPROFIT HOUSING CORPORATION FOR  
THE LIBERTY WELLS RETIREMENT COMMUNITY 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, Utah Nonprofit Housing Corporation, a Utah nonprofit organization, received a \$250,000.00 loan from the City's Housing Trust Fund in February 2004, for the construction of the Liberty Wells Retirement Community project consisting of 45 one-bedroom units and 6 two-bedroom units for low-income seniors to be located at 260 East 800 South in Salt Lake City, Utah; and

WHEREAS, Utah Nonprofit Housing Corporation has applied to the City for a second loan in the amount of \$100,000.00 at 2% over thirty years due to increases in the construction costs of the Liberty Wells Retirement Community project; and

WHEREAS, Utah Nonprofit Housing Corporation has applied to the City for loan payment deferral of the original \$250,000.00 loan and the second loan in the amount of \$100,000.00 until January 2006 when construction of the project is complete and rental income is available.

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 second loan agreement with Utah Nonprofit Housing Corporation, a Utah nonprofit organization, for \$100,000 at 2% over thirty years from Salt Lake City's Housing Trust Fund with payments deferred until January 2006.
2. It does hereby approve loan payment deferral on the original \$250,000.00 loan until January 2006.
3. Utah Nonprofit Housing Corporation will use the second loan for construction costs associated with the Liberty Wells Retirement Community project located at 260 East 800 South in Salt Lake City, Utah.
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 \_\_\_\_\_, 2005.

SALT LAKE CITY COUNCIL

By: \_\_\_\_\_  
CHAIR

ATTEST:

APPROVED AS TO FORM  
SALT LAKE CITY ATTORNEY'S OFFICE  
DATE: 4/21/2005  
BY: [Signature]

\_\_\_\_\_  
CHIEF DEPUTY CITY RECORDER

**EVALUATION  
SALT LAKE CITY HOUSING TRUST FUND**

Name of Organization: Utah Nonprofit Housing Corporation

Name of Project: Liberty Wells Retirement Community

Location of Project: 260 East 800 South

Project Description: The project will consist of 45 one-bedroom units and 6 two-bedroom units for low-income seniors. All units will serve individuals at or below 50% area median income. The building will consist of four stories with an elevator, landscaped grounds, on-site laundry facilities, a library, a community room, a health and wellness room and secure underground parking.

<u>AMI Targets</u>	<u>New Rents</u>	<u>Previous Rents</u>
35% - 13 one-bedrooms	\$401	\$347
40% - 22 one-bedrooms	\$458	\$404
40% - 6 two-bedrooms	\$550	\$479
45% - 8 one-bedrooms	\$515	\$461
50% - 2 two-bedrooms	\$688	\$617

Amount and terms requested: \$150,000 at 2% for 30 years  
The applicant is requesting payment of the loan be deferred until January 2006.

(Previous loan was for \$250,000 at 2.5% for 30 years)

Is the entire project eligible for Housing Trust Fund money? Yes

Are the funds leveraged with non-government dollars? Yes

**SOURCES OF FUNDS - Post Construction Funding:**

Equity	The Richman Group	\$4,417,943
1st Mortgage	UCRC	725,000
2nd Mortgage	OLWHLF	200,000
Other Secured	SLC HTF	400,000
Other	Deferred Developer Fee	99,004
	<b>TOTAL</b>	<b>\$5,841,947</b>

**USES OF FUNDS**

Land/Building Acquisition Costs	\$ 730,000
Rehabilitation/Construction Costs	4,317,427
A/E, Permit and Other Fees	458,453
Construction/Permanent Financing Costs	259,723
Tax Credit Fees	23,344
Syndication Costs	23,000
Rent Up Reserves	30,000
	<b>TOTAL</b>
	<b>\$5,841,947</b>

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

Yes. Rents from the project will be the source of the loan repayments once the project has been completed.

Does the project have demonstrated community support?

The Central City Community Council reviewed this project on March 5 and June 4, 2003 and voted to support it. Letter of support is forthcoming.

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

UNPHC currently has more than 1500 units of housing for families, the elderly, physically disabled, chronically mentally ill, HIV/AIDS individuals, formerly homeless, and single women and families with a history of substance or domestic abuse.

UNPHC, in conjunction with the City, also developed the Sedona project for battered women and the Lowell Apartments for low-income elderly persons. UNPHC also owns the Rio Grande Hotel project for very low-income, formerly homeless individuals.

Project Strengths:

UNPHC has successfully built, developed, owned and rehabilitated similar projects and has previously owned and managed tax credit properties.

UNPHC currently has a loan with Salt Lake City on the Escalante Apartment project and a previous loan on the Liberty Wells Retirement Community project and has met all requirements, is current on both loans and provides required information in a timely manner.

The project meets priority goals of the Salt Lake 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 99 years and will have five units for mentally ill residents and four wheelchair accessible units set aside.

The Central City Community Council voted to support this project.

Project Weaknesses:

Capital replacement reserves are below the State of Utah Safe Harbor Schedule

The applicant is requesting a total loan amount that is higher than the cap established by the Board.

Board Options

Approve a loan for \$50,000 at 2.5% interest to keep the total loan amount within the cap established by the Board and request the applicant apply for the additional \$100,000 gap financing from the Olene Walker Housing Loan Fund

Approve as requested.

Deny the request.

**EVALUATION**  
**SALT LAKE CITY HOUSING TRUST FUND**  
**Liberty Wells Loan Payment Deferment Request**

Name of Organization: Utah Nonprofit Housing Corporation

Name of Project: Liberty Wells Retirement Community

Location of Project: 260 East 800 South

Project Description:

The project will consist of 45 one-bedroom units and 6 two-bedroom units for low-income seniors. All units will serve individuals at or below 50% area median income. The building will consist of four stories with an elevator, landscaped grounds, on-site laundry facilities, a library, a community room, a health and wellness room and secure underground parking.

<u>AMI Targets</u>	<u>New Rents</u>	<u>Previous Rents</u>
35% - 13 one-bedrooms	\$401	\$347
40% - 22 one-bedrooms	\$458	\$404
40% - 6 two-bedrooms	\$550	\$479
45% - 8 one-bedrooms	\$515	\$461
50% - 2 two-bedrooms	\$688	\$617

Amount and terms requested: The applicant has a current loan in the amount of \$250,000 at 2.5% over thirty years on this project that was approved February 10, 2004 by the City Council. The project is currently under construction and the applicant is requesting loan payment deferral until the project is completed and rental income is available in January 2006. The applicant is currently making payments on the loan.

Is the entire project eligible for Housing Trust Fund money? Yes.

Are the funds leveraged with non-government dollars? Yes

SOURCES OF FUNDS - Post Construction Funding:

Equity	The Richman Group	\$4,417,943
1st Mortgage	UCRC	725,000
2nd Mortgage	OLWHLF	200,000
Other Secured	SLC HTF	400,000
Other	Deferred Developer Fee	99,004
	<b>TOTAL</b>	<b>\$5,841,947</b>

USES OF FUNDS

Land/Building Acquisition Costs	\$ 730,000
Rehabilitation/Construction Costs	4,317,427
A/E, Permit and Other Fees	458,453
Construction/Permanent Financing Costs	259,723
Tax Credit Fees	23,344
Syndication Costs	23,000
Rent Up Reserves	30,000
	<b>TOTAL</b>
	<b>\$5,841,947</b>



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

Yes, once the project is completed and rental income is available.

Does the project have demonstrated community support?

The Central City Community Council reviewed this project on March 5 and June 4, 2003 and voted to support it. A letter of support is forthcoming.

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

UNPHC currently has more than 1500 units of housing for families, the elderly, physically disabled, chronically mentally ill, HIV/AIDS individuals, formerly homeless, and single women and families with a history of substance or domestic abuse.

UNPHC, in conjunction with the City, also developed the Sedona project for battered women and the Lowell Apartments for low-income elderly persons. UNPHC also owns the Rio Grande Hotel project for very low-income, formerly homeless individuals.

Project Strengths:

UNPHC has successfully built, developed, owned and rehabilitated similar projects and has previously owned and managed tax credit properties.

UNPHC currently has a loan with Salt Lake City on the Escalante Apartment project and a previous loan on the Liberty Wells Retirement Community project and has met all requirements, is current on both loans and provides required information in a timely manner.

The project meets priority goals of the Salt Lake 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 99 years and will have five units for mentally ill residents and four wheelchair accessible units set aside.

The Central City Community Council voted to support this project.

Project Weaknesses:

Capital replacement reserves are below the State of Utah Safe Harbor Schedule

Board Options

Approve as requested.

Deny the request.

## HOUSING TRUST FUND ADVISORY BOARD

### Meeting of April 7, 2005

The following board members were in attendance: Curtis Anderson, Karen Cahoon, William Dalton, Cara Lingstuyl, Kent Moore, and Peter Morgan. Staff members in attendance were LuAnn Clark, Director of Housing and Neighborhood Development, Sandi Marler, CD Programs Administrator, Jan Davis, Administrative Secretary and City Council staff Janice Jardine.

Chairperson Kent Moore called the meeting to order at 12:14 p.m.

Cara Lingstuyl motioned to approve the December 9th minutes. Peter Morgan seconded the motion. All voted "Aye." The motion passed.

The Board asked about the status of the current housing funds. LuAnn Clark stated that at present, HTF has available \$2.2 million and the RDA fund has available \$345,000. This year's RDA allocation of \$500,000 has not been transferred due to some questions raised on the amount to be received from Salt Lake County.

**Consider a request from Utah Nonprofit Housing Corporation for an additional loan in the amount of \$150,000 loan at 2% over 30 years to construct the Liberty Wells Retirement Community project to be located at 260 East 800 South and to defer payments on the loan until January 2006.**

Mr. Marion Willey of Utah Nonprofit Housing Corporation was present to provide details and answer questions pertaining to the project.

Mr. Willey explained that the request for additional funds to construct the project was due to the significant increase in construction costs. Mr. Willey said that changes have been made to keep the project within budget amounts but the project has been affected by higher construction costs. Mr. Willey said that UNHC applied for and received additional tax credits to compensate for some of the costs and that they will be meeting with the State to request additional funds.

A lengthy discussion followed between Board members and Mr. Willey regarding his inadequate details on the construction cost overruns, the proposed original budget for construction costs and an insufficient construction reserve. Mr. Willey indicated that he will sort out all of the details regarding the exceeded construction costs, the amount of funds needed to offset these costs and present this information to them.

Following further discussion, the Board members agreed they were in favor of the project and UNHC's accomplishments, but the facts and figures supporting the project were confusing and would need to be clarified.

Cara Lingstuyl motioned to approve the loan request for \$150,000 at 2% over 30 years. Karen Cahoon seconded the motion. William Dalton requested to amend the motion to state that a subcommittee be created to re-evaluate the loan and be authorized to change the loan amount based on the findings of their meeting. Ms. Lingstuyl and Ms. Cahoon accepted the amendment to the motion and the second. All voted "Aye." Peter Morgan abstained from the vote. The motion passed. A sub-committee was created with Peter Morgan, Curtis Anderson and William Dalton.

**Note:** The subcommittee met Monday, April 11 with Marion Willey to review appropriate documents and information from Utah Nonprofit as it relates to the additional loan amount. The subcommittee reviewed the updated cost details and voted to recommend approval of the loan request in the amount of \$100,000 at 2% for 30 years. An e-mail was sent to the Board asking them to confirm the subcommittee's recommendation.

**Consider a request from Utah Nonprofit Housing Corporation to defer payments on the Liberty Wells Retirement Community Housing Trust Fund loan approved in December 2003 until January 2006.**

A discussion followed on how the deferred interest and principal would be recovered.

Cara Lingstuyt motioned to defer payments on the existing loan approved in December 2003 until January 2006. Curtis Anderson seconded the motion. All voted "Aye." Peter Morgan abstained from the vote. The motion passed.

**Consider a request from Morse Health and Housing for a loan in the amount of \$300,000 at 3% over 40 years to rehabilitate some of the units in the Cedar Pointe Condominium/Apartment project located at 731 South 300 East.**

Mr. Jonathan Morse of Morse Health and Housing was present to provide details and answer questions pertaining to the project.

Mr. Morse described in detail the extensive rehabilitation to the exterior and interior and provided a breakdown of the project funding sources. Mr. Morse said that the rehabilitation would significantly improve the community and improve housing for existing and future residents. Mr. Morse said that they have the support of the Central City Community Council.

The Board inquired about complaints received from tenants in regards to the rehabilitation of MH&H project Laurelwood Apartments. Specific complaints were as follows: 1) that the elderly and disabled were given less than a 24 hour notice to move to another apartment without assistance; 2) rent costs and additional fees for storage units and 3) the interior rehabilitation of the units was much less than the work on the exterior of the building.

Mr. Morse stated that the statements are erroneous and contends that the rent is in line with his loan agreements, and that the interiors of their units are very nice, and that he was unaware of any additional costs.

A lengthy discussion followed in regard to a clarification on the costs, particularly the developer fee. Mr. Morse provided a breakdown on the fees and said that the developer fee calculation is based on certain percentages from the tax credits. The term of the loan was discussed and Mr. Morse indicated that he would change the amortization from 40 years to 30 years.

Peter Morgan motioned to approve the loan request for \$300,000 at 3% for 30 years. William Dalton seconded the motion. Peter Morgan and William Dalton voted "Aye." Cara Lingstuyt, Karen Cahoon and Curtis Anderson opposed. The motion failed.

Cara Lingstuyt motioned to deny the loan request. The motioned failed.

The Board continued the discussion of the request and they agreed that before they would approve the loan request, they would need clarification on the fee structure, specifically, the formula that was used to calculate the developer fee, and that the complaints from the tenants from the Laurelwood Apartments rehab project would need to be addressed.

**Consider a request from Salt Lake Neighborhood Housing Services for a loan in the amount of \$300,000 at 2% over three years for acquisition of property located at 158 North 600 West for the potential construction of a combination of 10-12 town homes for seniors and a multi-unit senior housing project consisting of approximately 40-44 units.**

Maria Garciaz from Salt Lake Neighborhood Housing Services was present to provide details and answer questions pertaining to the project.

Ms. Garciaz described the project in detail stating that low-income senior housing is in demand and that the project will contribute to the overall revitalization of the neighborhood. Ms. Garciaz outlined the history and acquisition of the property. Ms. Garciaz indicated that the project is in the development stage, and that NHS is still finalizing project details with the City Planning Division.

Ms. Garciaz said that no long-term permanent funding has been secured but NHS has hired a consultant to recommend the best source of funds to develop a senior housing project. Ms. Garciaz said it was their intent to apply for property acquisition funding from the Housing Trust Fund prior to the actual purchase of the property. However, due to no applications being accepted for Trust Fund loans they borrowed funds from their Hodges project in order to acquire the property due to the need to close quickly on the property. Another offer had been made for the property from a group whose plans for the property would not have been consistent with NHS's revitalization plans for the neighborhood. The Housing Trust fund loan will be used to payoff the borrowed funds for the acquisition of the property.

Cara Lingstuyll motioned to approve the loan request for \$300,000 at 2% over 3 years. Peter Morgan seconded the motion. All voted "Aye." The motion passed.

### **Discuss draft Housing Policies**

A lengthy discussion ensued between Board members and Staff on the Salt Lake City's Housing Policies preliminary draft. In conclusion, the Board suggested the following changes/additions.

- 1) Section M. City Funded Projects should be omitted. The Board agreed that to encourage a balance of affordable housing for rental and ownership in all neighborhoods within the City, incentives need to be established allowing developers to develop in better neighborhoods.
- 2) The Board would like to include environmental regulations particularly water conservation on the City's Housing Policies.
- 3) Investigate a mandatory inclusionary zoning ordinance and recommended incentives for developers to include affordable housing in their developments.
- 4) RDA and HTF to following the same housing goals and policies.

### **Schedule next meeting**

The next HTF Advisory Board meeting is scheduled for Thursday, May 19, 2005.

There being no further business, the meeting adjourned at 2:22 p.m.