
SALT LAKE CITY COUNCIL STAFF REPORT

DATE: October 28, 2005

SUBJECT: Proposed Housing Trust Fund Loan to Cedar Pointe Partners, L.P.

AFFECTED COUNCIL DISTRICTS: District 4

STAFF REPORT BY: Gary Mumford

ADMINISTRATIVE DEPT.: Housing and Neighborhood Development

AND CONTACT PERSON: LuAnn Clark

On October 18, 2005, the City Council was briefed on the Housing Trust Fund loan request from Cedar Pointe Partners, L.P. The developer applied for a 40-year \$300,000 loan during the Council's moratorium period. Cedar Pointe Partners obtained a short term loan pending the City's loan consideration. The City's loan will not impact rents since rent structures for the project are set by the tax-credit/bond financing received from the Utah Housing Corporation. Some Housing Trust Fund board members were concerned with the \$539,000 of the developer's fee including \$376,000 of acquisition fee; however, the fee percentage conforms to the guidelines of the Utah Housing Corporation. The board did not want to discourage this developer from doing similar projects in Salt Lake City that improve neighborhoods and provide reasonably-priced rehabilitated housing. After meeting three times to consider the loan, a majority of board members adopted a recommendation for a scaled down loan of \$100,000 for 20 years.

POTENTIAL MOTIONS:

1. ["I move that the Council"] **Adopt a resolution authorizing the Mayor to execute a loan agreement between Salt Lake City and Cedar Pointe Partners, L.P., for \$100,000 at 3% interest to be amortized over 20 years for rehabilitation of 224 rental units located at 731 South 300 East.**
2. ["I move that the Council"] **Deny the loan request.**

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

The Cedar Pointe project, located at 731 South 300 East, consists of 370 units that were originally built in 1972 as apartments and later converted to condominiums. This complex was formerly known as Victoria Square. Eight of the units are currently owner occupied and 362 units are leased as apartments. Cedar Pointe Partners, L.P. purchased 224 of the units and has been rehabilitating them. Six units are set aside as handicapped units.

Cedar Pointe, L.P. tried to apply for a Housing Trust Fund loan at the beginning of the project, but at that time the City was deferring consideration of loan requests pending a housing policy. In March 2005, the developer applied for a 40-year \$300,000 City loan. The Housing Trust Fund Board began reviewing the loan request in April 2005. In August, a majority of the Board voted

to recommend a \$100,000 loan for 20 years at 3%. The recommendation was based on the project's merits of preserving and rehabilitating existing affordable housing.

The total project cost is about \$11.8 million. Of this amount, the rehabilitation cost is approximately \$2.2 million or about \$10,000 per unit. A new management company has apparently reduced crime by evicting some tenants and instituting additional security. According to the City's Housing & Neighborhood Development director, the Central City Community Council was supportive of the rehabilitation project.

Some Housing Trust Fund board members were opposed to the loan since the City's funds would be used for developer fees (profit) or to repay investors. Developer fees including acquisition fees are \$539,290. Some Board members were concerned about the size of the developer fees in relation to the extent of the rehabilitation. There were also concerns expressed from tenants in another housing project by the same owner. After the applicant provided additional information, a majority of Housing Trust Fund Board members were satisfied that the issues with the tenants of the other project were adequately addressed and felt that the improvements made at Cedar Pointe did improve the project and the neighborhood.

Salt Lake City's draft housing policy encourages rehabilitation and preservation of existing housing. Approval of this loan will leave a balance of \$2,140,165 in the Housing Trust Fund.

A. LOUIS ZUNGUZE
DIRECTOR
BRENT B. WILDE
DEPUTY DIRECTOR

SALT LAKE CITY CORPORATION
DEPT. OF COMMUNITY DEVELOPMENT
OFFICE OF THE DIRECTOR

ROSS C. "ROCKY" ANDERSON
MAYOR

COUNCIL TRANSMITTAL

TO: Rocky J. Fluhart, Chief Administrative Officer **DATE:** September 29, 2005

FROM: Louis Zunguze, Community Development Director
Louis Zunguze by Brent Wilde

SUBJECT: A resolution authorizing the Mayor to execute a loan agreement between Salt Lake City Corporation and Cedar Pointe Partners, L.P., for rehabilitation of 224 rental units located at 731 South 300 East 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: Jonathan Morse of Morse Health and Housing, on behalf of Cedar Pointe Partners, LP, is requesting a Salt Lake City Housing Trust Fund housing rehabilitation loan in the amount of \$300,000.00 at 3% interest to be amortized over 40 years. Mr. Morse purchased 224 of the 370 condominium units in the Cedar Pointe project, which will be leased as rental units.

On April 7, 2005, the Housing Trust Fund Advisory Board reviewed the proposal. Concern was expressed by the Board that tenant issues at Edison Place (formerly the Laurelwood project), a Morse Health and Housing project that received Housing Trust Fund financing in 2003, had not been adequately addressed and reservations were expressed about approving funding for another one of the applicant's projects. Concerns were also voiced at the size of the developer's fee and the 40-year amortization period. Mr. Morse claimed the tenant issues raised by the Board were not accurate and that he would be willing to reduce the term of the loan to 30 years.

A motion to approve the loan request failed followed by a motion to deny the request which also failed. The Board directed Mr. Morse to address the Edison Place tenant issues and the size of the developer's fee, and return to the Board in the future if he were still interested in obtaining Housing Trust Fund financing for this project.

On August 18, 2005, this request was placed on the Housing Trust Agenda for reconsideration but a quorum of the board was not present and no official Board action could be taken.

On September 15, 2005, Mr. Morse again made a presentation to the Board requesting a loan in the amount of \$300,000.00 at 3% interest to be amortized over 40 years. Mr. Morse submitted a document addressing the tenant issues along with a letter explaining the size of the developer's fee.

Several Board members expressed concern that the Edison Place tenant issues had not been adequately addressed. Mr. Morse informed the Board that the occupancy rate at the Edison Place project prior to the renovations was below 80% and following the renovations, occupancy was now at 93-94%. The Board also raised the issue that the project was already done, that the City funds were only needed to fund the developer's fee and not the actual renovations of the project, and that the developer's fee was too high given the extent of the rehabilitation of the project.

A motion to deny the request as presented failed with all but one Board Member voting in favor of the denial. After extensive discussion, the Board approved a loan in the amount of \$100,000.00 at 3% to be amortized over 20 years in an effort to provide City support for the project and in keeping with the City's goal to preserve existing affordable housing stock. Four Board Members voted in favor of the \$100,000.00 loan, two voted against the motion, and two abstained from the vote.

The current balance of the City's Housing Trust Fund is \$2,240,165; approval of this loan request would leave the fund balance at \$2,140,165.

RESOLUTION NO. _____ OF 2005

AUTHORIZING A LOAN FROM
SALT LAKE CITY'S HOUSING TRUST FUND
TO CEDAR POINT PARTNERS, L.P. FOR
THE CEDAR POINT 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, Cedar Point Partners, L.P., has applied to the City for a \$100,000.00 loan at 3% over twenty (20) years for the purpose of rehabilitating 224 condominium housing units, to be leased as rental units, located at 731 South 300 East in Salt Lake City.

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 the Cedar Point Partners, LP for \$100,000.00 at three percent (3%) per annum for twenty (20) years from Salt Lake City's Housing Trust Fund.

2. Cedar Point Partners, LP, will use the loan funds to rehabilitate 224 housing units located at 731 South 300 East in Salt Lake City, Utah.

3. 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
BY: AV Spindler
DATE: 9/28/2005

CHIEF DEPUTY CITY RECORDER

The Tax Credit application shows a deferred developer fee of \$154,781; the developer fee is not deferred on the developer's proforma. The Board may wish to ask the applicant for a clarification on this issue.

The proforma does not reflect a loan repayment to the City for the \$300,000. The Board may wish to discuss the impact this has on the net operating income for the project.

Tenant concerns were raised at the previous Board meeting. The Board must determine if those concerns have been adequately addressed.

Size of Developer's Fee – The Board must determine if they feel this issue has been adequately addressed. At the previous meeting the Board raised concerns about the size of the developer's fee in relation to the extent of the rehabilitation of the project.

Developer does not own all of the units in the project. Even though he will have a majority vote in the Home Owners Association, there are still 146 units they do not control.

Board Options

Approve the request with an amended amortization period of 30 years as requested by the Board at the previous Board meeting

Approve the request as presented

Table the request

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 Lingstuyll 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 Lingstuyll, Karen Cahoon and Curtis Anderson opposed. The motion failed.

Cara Lingstuyll motioned to deny the loan request. The motion 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 Lingstuyl 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 follow 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.

HOUSING TRUST FUND ADVISORY BOARD

Meeting of September 15, 2005

The following board members were in attendance: Curtis Anderson, Karen Cahoon, William Dalton, John Francis, Daniel Greenwood, Cara Lingstuyl, Kent Moore, Peter Morgan, and Nancy Pace. 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 12:18 p.m.

Nancy Pace motioned to approve the April 7th minutes. Cara Lingstuyl seconded the motion. All voted "Aye." The motion passed.

Reconsider 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. The project consists of 370 units, of which Morse Health and Housing now owns 224. Eight of the 370 units are owner-occupied, the remaining 362 are leased as apartments.

Mr. Jonathan Morse of Morse Health and Housing was present to answer questions pertaining to the project and address the complaints that were raised in the April 7th meeting concerning the Edison Place Apartment project.

The Board asked Mr. Morse to clarify the apartment/condo conversion. Mr. Morse said that it is a condo project but that the condos will be leased as apartments. Mr. Morse briefed the Board on how the rehabilitation would significantly improve housing for the existing and future residents. Mr. Morse said that there were additional improvements to the property to provide a more secure environment not included in the original budget.

Cara Lingstuyl asked Mr. Morse about his statement regarding that he received no compensation from the Edison Place project. Mr. Morse indicated that Morse Health and Housing's first payment that was received was contributed to assist in the closing and that the second installment consisting of the developer's fee was split with Utah Nonprofit Housing. Mr. Morse remarked that Morse Health and Housing's share went back into the property to complete the improvements.

A lengthy discussion followed in regard to no provision for the repayment of the City's loan in the proforma and original budget for the Cedar Pointe loan request. Mr. Morse did indicate that the budget will not increase for this project since the first mortgage is not as high as indicated on the proforma. The developer fee was discussed and the Board inquired if some of it had been paid, and if some it had been deferred. Mr. Morse replied that it was all deferred and that the City's loan will pay back the investors and complete improvements to the property. Ms. Lingstuyl inquired about the \$4,032 per month other income shown on the proforma. Mr. Morse said that this additional income would be in laundry from the 224 units.

The \$55.00 move in fee and the \$10.00 storage unit fee for Edison Place were discussed. Mr. Morse stated that no \$55.00 fee had ever been charged to the residents but that there is a \$10.00 storage unit fee. Ms. Lingstuyl was concerned that the residents did not receive appropriate notification before the rehab., particularly no assistance was made available to them to move. Mr. Morse said notice was sent to the residents one week before the start of the interior work. Mr. Morse said that the contractor Kier Construction, at significant time and expense, moved the property for some of the residents due to their physical condition or if they failed to move their possessions on their own.

The Board expressed concern that the residents did not receive satisfaction from the rehab. and asked how the process of work orders for repairs are handled. Mr. Morse explained the work order process and that maintenance responds immediately. The Board asked about the current occupancy rate for

Edison Place, and Mr. Morse responded that the average occupancy rate today is 93%-94%, and at the time of purchase it was below 80%.

Kent Moore, Chair, asked the Board to specifically discuss the Cedar Pointe loan and not the previous project issues. The Board resumed their discussion on the financial structure of the Cedar Point loan particularly evaluating the developer fee. Average developer fees, and how developer fees are established and deferred were discussed. The HTF loan would allow Morse Health and Housing to repay their obligation to the investors, however, repayment is not immediately due.

Curtis Anderson motioned to deny the loan request for \$300,000 based on the fact that the loan would be used for the developer fee and as a source of repayment to investors not requiring immediate repayment. Cara Lingstuyl seconded the motion. Curtis Anderson, Karen Cahoon, William Dalton, John Francis, Daniel Greenwood, Cara Lingstuyl and Peter Morgan voted to deny the loan request. Nancy Pace voted in opposition to deny the loan request. The motion passed.

Peter Morgan said he was in favor of approving a smaller amount and motioned to approve the loan request at \$100,000 at 3% for 20 years. Mr. Morgan felt that \$100,000 is a reasonable token that would represent the City's support for the project in meeting the goals for preserving affordable housing. William Dalton seconded the motion. A short discussion followed regarding Mr. Morgan's motion. All voted "Aye" with the exception of Curtis Anderson and Cara Lingstuyl who opposed. Karen Cahoon and Daniel Greenwood abstained from the vote. The motion passed.

Update by LuAnn Clark

Ms. Clark informed the Board that the City Plaza project at 134-164 South 200 East was on hold since the property owners had sold the property. The Board had approved a loan for the City Plaza project in the amount of \$850,000 in April 2005. Ms. Clark said Mr. Kevin Keating had informed her he was still working on the City Plaza project. She added that a local developer had also acknowledged interest in the property but no contract with the owner for the property has been negotiated. Ms. Clark said she had informed Mr. Keating that any significant changes to the approved project would have to be reconsidered by the Board and promised to keep the Board updated on this issue.

Ms. Clark said that Liberty Wells Retirement Community Project will be having their open house in November. The Rosewood Project by Salt Lake Neighborhood Housing Services has closed and NHS is now in the project planning process. The guarantee issues with Claudia O'Grady's property on 700 South and 200 West (Angelina's Corner) have been resolved and they are moving forward.

Ms. Clark said that Ben Logue, who is involved in historic renovation, is in the process of purchasing a building for reconstruction and may be submitting an application in either October or November.

Schedule next meeting

The next HTF Advisory Board meeting is scheduled for Thursday, October 20, 2005. A tentative meeting was scheduled for Thursday, December 8, 2005 to review applications for funding for ADDI, HOME and HOPWA.

There being no further business, the meeting adjourned at 1:32 p.m.

We are very accommodating with Valley Mental Health patients and workers and we do everything we can to assist them. If there are specific problems that remain unresolved we need only to be made aware of them. I met with Richard Hatch, head of housing for Valley Mental Health recently and asked if he could "increase" his units.

8. Cabinets mildewy

Cabinets were not replaced during rehab, so existing cabinets are from original construction. As part of rehab, all cabinets were cleaned and re-stained. From time to time we may experience mildew problems (particularly during the winter) and our maintenance staff takes the necessary steps to remediate the problem as quickly as possible.

9. New windows/doors have condensation problem

Ownership and management have not been made aware of any condensation problems with the new doors or windows.

10. Not all tenants have access to laundry room

An erroneous assumption had been made by the new manager that residents in two-bedroom apartments with washer/dryer hookups would only need a key to the laundry facility if they requested it of management. We have corrected this by giving a laundry key to each resident.

11. Security issues

Security has always been a concern and we continue to remain vigilant in safeguarding the property. We have a five-million dollar investment to protect. In addition, the only way to improve a resident's quality of life is to provide a safe, secure environment. We have a new security company that patrols each evening and through their work and our tenant screening process have considerably improved the security. Feedback from neighboring businesses and tenants is that the security of the property and the neighborhood has improved tremendously.