
SALT LAKE CITY COUNCIL STAFF REPORT

DATE: August 1, 2006

SUBJECT: **Proposed Housing Trust Fund Loan to Wasatch Advantage Group for construction of the Providence Place Apartments 309 East 100 South**

AFFECTED COUNCIL DISTRICTS: District 4

STAFF REPORT BY: Gary Mumford

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

Salt Lake City has a Housing Trust Fund from which loans can be made to encourage affordable and special needs housing development within the City. Wasatch Advantage Group has applied to the City for an \$850,000 loan from the City's Housing Trust Fund as partial financing to construct the Providence Place Apartment Project to be located at 309 East 100 South that will consist of 125 affordable rental housing units for residents at 60% of the City's area median income or lower. This group had previously applied for and received an \$850,000 City loan for a 200 unit apartment project on 200 East but wasn't able to obtain the site.

On July 11, 2006, the Council held a briefing and discussion on the proposed loan. The current balance in the City's Housing Trust Fund is \$2,767,000 before considering this loan request. Subsequent to the briefing, Salt Lake County started the process to submit an application relating to an 84-unit homeless project. Three other developers have expressed an interest in applying for City loans. The Housing Authority has indicated that it may sell a portion of its public housing, which could result in several loan requests for retrofit.

The developers are asking for the same loan amount (\$850,000) as was awarded for the City Plaza project. Council Members asked during the briefing how the cost per unit of the Providence Place Apartments compares with the cost per unit of the City Plaza project. At this loan amount, the City's participation per unit will be \$6,800. The City's average per unit participation has been \$6,379 for multi-family projects from the housing trust fund for long-term loans including market rate units.

The estimated total cost per unit for the City Plaza project was \$112,794 (total uses as provided on the loan application including land, parking structure, development fees, etc. divided by 200 units). Some of the costs are related to the commercial aspects of the City Plaza project including some parking for commercial customers. The total cost per unit for the Providence Place Apartments is \$114,207 (total uses as proposed on the loan application divided by 125 units). One of the reasons why the per-unit cost does not show a greater increase is that the costs of the City Plaza project included a commercial aspect. In addition, the land for the Providence Place Apartments was obtained at a favorable price, which helps to lower the cost per unit even though construction costs have significantly increased from the time when the City Plaza project was proposed. Mr. Kevin Keating representing the developers explained that the construction cost per square foot for the City Plaza Project was estimated to be \$68 to \$70 per square foot while construction cost for the Providence Place Apartments is approaching \$100 per square foot.

The developers originally asked for a 40-year loan, but the developers have modified their request to include a balloon payment after 30 years. Both the Housing Trust Fund Board and the Mayor recommended a 30-year loan term. In the event that the developers refinance the project earlier, they will pay off the loan earlier. Typically, the developers' tax credit financing requires the developers to be involved in the project for at least 15 years following construction. Mr. Keating and his partners agreed that they would remain in the project for at least 15 years. Low-income restrictions stay with the property for 51 years.

The developers requested a 2.45% interest rate on the City's loan, and the Mayor proposed a 4.65% rate based on the City's investment earnings. As an option, the developers have recently proposed an interest rate that starts out at 2.45% and steps up to 6.8% over 30 years for an average interest rate of 4.65%. This would fit the developers' need during the early years of the loan and would provide the City with a 4.65% average interest rate over the life of the loan. The proposed interest rates are as follows:

<u>Years</u>	<u>Interest Rate</u>
1-5	2.45%
6-10	3.65%
11-15	4.85%
16-20	5.90%
21-25	6.55%
26-30	6.80%

In order to provide a debt coverage ratio of 1.15 (\$115 of projected net rents for every \$100 of debt), the developers have recently proposed decreasing the permanent loan by \$35,000 and increasing the deferred developer fee by the same amount. The Utah Housing Corporation sets a standard debt coverage ratio of 1.15. The ratio excludes deferred developer fees.

Developer fees provide most of the financial incentive for development of affordable housing since operating profit is limited. For the Providence Place Apartments, most of the developers' fee (approximately \$1,200,000 depending on escalating construction costs) is available once the project achieves 93% stabilized occupancy for 90 days, but a portion (\$377,790 including the \$35,000 above) is deferred over a 10-year period to be paid from net rent after all other expenses and loan payments are made. The senior lender is also requiring the Developer to provide construction completion guarantees, which means if there are construction cost over-runs, the developer will have to contribute funds to pay for the cost over-runs or defer more developer fee.

The City has a preference for mixed-income projects, but Mr. Keating pointed out that there are already a number of very low-income projects in the downtown area as well as market-rate and for-sale projects. He asserts that the Providence Place Apartments will help the city to start to meet the cross section of income levels in the downtown by focusing on upper lower-income households. Based on a market study, the project will fill a niche in the current housing inventory for those with income at 60% of area median income or less. Mr. Keating said that the project will appeal to potential renters because of quality of construction, affordability and downtown location. Mr. Keating also explained that the project benefits the local economy with local sub-contractors, local suppliers, local architects, and includes \$5 million of federal funding through tax credits to the benefit of the local economy.

The project meets the following new housing policies currently being considered:

- Creation of a variety of city-wide residential housing units, including affordable housing
- Proximity to mass transit, retail and commercial services
- Housing units that are consistent with the Federal Americans with Disabilities Act
- New housing development within the Downtown area
- Per unit construction costs are within the industry standards
- Provision of adequate off-street parking
- Property acquisition was at or below market value
- Developer fees are consistent with criteria adopted by the Utah Housing Corporation
- A preference that developer ownership will continue for a minimum of seven years

The project is NOT consistent with the following new housing policies/preferred criteria currently being considered:

- The preference for mixed-income projects
- The preference for the number of affordable units to exceed the percentage of market rate units if the project is located in an area with a median income of 60% or above the City's AMI (the AMI for this area is lower than 60%)

Inconsistencies with guidelines and usual practice are:

- a. The amount of the requested loan is in excess of the \$300,000 maximum guideline.
- b. The interest rate requested is less than a Council resolution stating that interest on loans will exceed the interest rate the City earns on its investments.
- c. Repayment of the loan is requested to begin 90 days following construction with interest-only payments prior to this time. Typically, the City's loans require the first payment of both interest and principal to begin within 60 days of issuing a loan.

POTENTIAL MOTIONS:

Because of escalating costs of construction, Council Member Simonsen suggested that the Council be prepared to make a decision. The attached resolution is per the Mayor's recommendation. The resolution will be revised if the Council approves a loan at another dollar amount or with different rates or terms. The loan documents will require that the project be developed as proposed. If a Council Member makes a motion to authorize a loan, the Council Member may wish to include some of the following points:

- The Council recognizes the need for housing in this area of the City.
- The Council recognizes the need for housing with this income level.
- The Council recognizes the need for a variety of housing including studio, one bedroom and two bedroom units.
- The Council recognizes the investment from other resources including \$5 million in federal tax credits and \$8 million invested through private activity bonds.
- The Council re-affirms its long-term goal of supporting mixed income housing with emphasis on disbursing low-income housing throughout the city rather than concentrating low-income housing in a few areas, and believes that this project furthers the goal to a limited extent in that it enhances the income level in this neighborhood and may prompt other development.

The City Council has several options relating to this loan request including the following potential motions.

1. ["I move that the Council"] **Adopt a resolution authorizing 30-year \$600,000 loan at 4.65% from the Salt Lake City Housing Trust Fund to Wasatch Advantage Group for construction of the Providence Place Apartments with interest and principal payments beginning within 60 days of issuing the loan.** (Mayor's recommendation)
2. ["I move that the Council"] **Adopt a resolution authorizing 30-year \$500,000 loan at 5% from the Salt Lake City Housing Trust Fund to Wasatch Advantage Group for construction of the Providence Place Apartments with interest and principal payment beginning within 60 days of issuing the loan.** (Housing Trust Fund Board's recommendation)
3. ["I move that the Council"] **Adopt a resolution authorizing 30-year \$850,000 loan from the Salt Lake City Housing Trust Fund with a 40-year amortization and balloon payment at the end of the 30-year term and at an average interest rate of 4.65% with stepped rates beginning at 2.45% and increasing to 6.8% and with payments of interest during the construction period and loan principal payments to begin within 90 days following construction completion.** (Developers' modified request)
4. ["I move that the Council"] **Adopt a resolution authorizing a loan from the Salt Lake City Housing Trust Fund to Wasatch Advantage Group for construction of the Providence Place Apartments** (specify loan amount, loan term, interest rate, and when loan principal repayments begins)
5. ["I move that the Council"] **Deny the loan request.**

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

On April 19, 2005, the City Council approved a 40-year \$850,000 loan at an interest rate of 2.45% for the City Plaza Apartment project on 200 East that was to provide 200 affordable units for households with income at 60% of area median income or less. There were some delays between the loan request and approval because the city was drafting a new loan policy. Shortly after the loan was approved, the developer determined that the site was no longer available. After months of looking for a similar site, one of the original partners of the City Plaza project along with additional partners/investors acquired land at 309 East 100 South and requested a similar loan for a project to be known as the Providence Place Apartments.

The Providence Place Apartments will consist of 125 rental units comprised of 30 two bedroom/two bath units (rent \$767), 69 one-bedroom/one bath units (rent \$641), and 26 studio units with one bath (rent \$604). Rents will be restricted and targeted to households at 60% of the area median income or lower. The Administration's transmittal points out that rents are in line with the independent market study. The \$14,000,000 project will remain affordable for 51 years. The City's loan will be leveraged with \$8,100,000 of private activity bonds issued by the Utah Housing Corporation and \$4,983,000 of tax credits. The permanent financing will reimburse the partners for the cost of the land and predevelopment costs.

The project will include 125 covered parking spaces in a tiered parking structure and an outdoor plaza and/or roof garden. All units will be handicap accessible. The project will include the following amenities: controlled access, on-site management office, club room/computer resource

center/library, and fitness room. The units will have walk-in closets, dishwashers, and clothes washers and dryers.

The project provides additional affordable housing units in the downtown area and increases the property tax base for the City. The local economy benefits with the use of local contractors and architects as well as from the increase in the number of city residents living near the central business district. A letter from the Central City Neighborhood Council dated May 3, 2006 states that there was general support for this project.

1. Loan amount – The developers requested the same loan amount as the City Plaza Apartment project of \$850,000. Even though the project will be for 125 units rather than the 200 units proposed for the City Plaza Project, the high cost of land and construction costs have significantly increased since the time of the City Plaza project. The Housing Trust Fund Board set a guideline in March 2004 of a maximum loan of \$300,000. The Board apparently recognized the value of this project and recommended a loan of \$500,000. Mayor Anderson forwarded a proposal for a \$600,000 loan. Mr. Kevin Keating, representing Wasatch Advantage Group, told council staff that a condition of the private activity bond allocation was obtaining an \$850,000 loan from the city's housing trust fund. The applicant indicates that the project may not be financially feasible without the higher city loan.
2. Interest rate – The developers requested the same interest rate (2.45%) as approved for the City Plaza Apartment loan approved in 2005 (but not issued). Interest rates on the city's pooled investments have increased since that time (4.61% in April 2006, 4.77% in May, and 4.91% in June). The Housing Trust Fund Board generally recommends loans at slightly greater than the City's average pooled investment earnings rate unless the project provides housing for the very low income residents, seniors, and disabled or special needs residents. The Board recommended an interest rate of 5%. Mayor Anderson forwarded a proposal for a loan at 4.65% (approximate average earnings rate for April 2006). Mr. Kevin Keating told Council staff that this interest rate greatly reduces the incentive for the project since the permanent financing is only a little higher at about 5.5%, and indicated that the project may not be feasible at this higher interest rate. Mr. Keating noted the following additional information: "The lower the interest rate the lower the debt service. This increases cash flow for sizing the permanent loan. Since the senior mortgage is sized based on how much net cash flow is available, the lower monthly debt service allows us to borrow more from the senior lender. To maximize our senior loan amount we have assumed a 2.45% interest rate on the Housing Trust Fund loan."
3. Loan period – The developers requested the same loan period (40 years) as approved for the City Plaza loan. The Housing Trust Fund Board typically recommends 30-year loans. The Board forwarded a recommendation for a 30-year loan for the Providence Place Apartment project. Mr. Kevin Keating told Council staff that the higher debt service of a 30-year loan may result in an unfeasible project. Mr. Keating noted the following additional information: "Here again, a longer amortization period means the loan pays off over a longer period of time and as a result the monthly debt service amount is lower. Since the senior mortgage is sized based on how much net cash flow is available, the lower monthly debt service allows us to borrow more from the senior lender. We have assumed a 40-year amortization period on the Housing Trust Fund loan to help fill the financing gap in the project numbers."
4. Preference for mixed-income projects – The housing policy currently being considered includes a preference for mixed-income projects. This project will be entirely for those at 60% of area median income or less. The draft housing policy also contains a preference for the

number of affordable units to exceed the number of market rate units only if the median income of the area is 60% or above. The average median income for this area is lower than 60%. Mr. Keating noted that the addition of 125 households at 60% average median income could significantly increase the average area median household income for the census tract.

5. Deferred developer fee – The deferred developer fee is \$342,790, which is the maximum that can be deferred per Utah Housing Corporation for tax credit financing. The deferred developer fee gets paid out of net operating income from project operations in lieu of receiving net operating income (or net profits) from operations. The developers are 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. According to Mr. Kevin Keating, 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.
6. Impact fee waiver – The developer will be eligible for an impact fee waiver of \$162,500. The traditional source for funding these waivers is from fund balance, which is already most likely below 10% of general fund revenue.

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

CITY COUNCIL TRANSMITTAL

TO: Rocky Fluhart, Chief Administrative Officer **DATE:** June 23, 2006
FROM: Louis Zunguze, Community Development Director
SUBJECT: A resolution authorizing the Mayor to execute a Housing Trust Fund loan agreement between Salt Lake City Corporation and Wasatch Advantage Group, LLC, for the construction of the Providence Place Apartment Project to be located at 309 East 100 South.

STAFF CONTACTS: LuAnn Clark, Housing & Neighborhood Development Director, at 535-6136 or luann.clark@slcgov.com

ACTION REQUIRED: City Council adoption of the resolution

DOCUMENT TYPE: Resolution

BUDGET IMPACT: None

DISCUSSION:

Issue Origin:

Kevin Keating, on behalf of Wasatch Advantage Group, LLC, is requesting a loan in the amount of \$850,000.00 from the Salt Lake City Housing Trust Fund for construction of the Providence Place Apartment Project to be located at 309 East 100 South in Salt Lake City. They are requesting these funds at an annual interest rate of 2.45% to be amortized over 40 years with interest only for the first 24 months of the loan during the construction and lease-up phase of the project. The project is proposed to consist of 125 rental units that will be rent restricted and targeted to households at 60% of the area median income or lower. The building will contain 30 two bedroom/two bath units, 69 one-bedroom/one bath units, and 26 studio units with one bath. The units will remain affordable for 51 years. The City would be in third position on the loan. It is anticipated the total cost of the project will be \$14,275,867.

Analysis:

Housing and Neighborhood Development staff prepared a staff evaluation for the Housing Trust Fund Board regarding the application submitted for funding. The evaluation contains information on the project's weaknesses and strengths and compliance with statutory regulations and housing plan goals and priorities. The project was also reviewed by Dave Miner, President

of Municipal Bond Consulting, Inc., because of Staff's limited experience with projects funded with private activity bonds. His review has been incorporated into Staff's evaluation. The key issues are listed below:

- The project would provide 125 additional units of affordable housing in the City that would remain affordable for 51 years. The proposed loan would be leveraged with low-income housing tax credits and a private activity bond.
- The project meets priority goals of the existing Salt Lake City Community Housing Plan to increase the City's housing stock, particularly by increasing the number of affordable housing units. (Please note that this is not the housing plan currently being discussed by the City Council. An analysis of the project and the new proposed housing plan is included on page four of the Staff evaluation – Attachment B.)
- The project would be located near the Downtown area in proximity to mass transit and retail and commercial services.
- The project did receive a letter of support from the Central City Community Council.
- The Debt Coverage Ratio (DCR) for this project is below the standard DRC of 1.15. This standard is used by the Utah Housing Corporation on all tax credit and bond projects. The initial pro forma submitted with the application indicated that the DRC is 1.15. The pro forma did not include the repayment of the City's loan or repayment of the applicant's deferred developer fee. The applicant subsequently provided a new pro forma the date of the Housing Trust Fund meeting showing the DCR of 1.053 after calculating repayment of the City's loan and the deferred developer fee.
- The applicant is requesting that the City's loan be a cash flow loan where payments would be made to the City only if there is sufficient net operating income available for repayment. The applicant needs this so they can meet the DRC of 1.15 for their other lenders. A loan guarantee will be provided by the project partners for the construction loan.
- The developer's equity investment is only the deferred developer fee. There is no developer equity in the permanent financing of the project.
- The loan is nearly three times the amount of the loan guideline of \$300,000 established by the Housing Trust Fund Board in March of 2004.
- The applicant is requesting an interest rate of 2.45%. As part of the annual budget process, the City Council adopts a resolution accepting a study performed in compliance with Utah Code Section 10-8-2 approving the Housing Trust Fund appropriation and establishing loan criteria. The resolution outlines as a tangible benefit that in many cases the interest on loans will exceed the interest rate the City earned on its pooled investment. Without the tangible benefit the intangible benefits need to be higher. The City's average interest rate for fiscal year 2005 was 2.42%. Most loans the Housing Trust Fund Board

recommended were within that range. One exception was the loan for the Milestone Apartment project that received a 1% interest rate because it provided a higher than normal intangible benefit to the City because it preserved housing for very low income residents, many of whom are seniors, disabled or have special needs. The average AMI of the tenants of the Milestone is 32%. Interest rates have been increasing and the rate the City received on its pooled investments for April 2006 is 4.60% with an average rate of 4.37% since January 2006.

- The applicant is requesting they be given a 40 year term. The only 40 year amortization terms the City has previously approved were required by the U.S. Department of Housing and Urban Development on Section 8 projects that were done in order to retain and rehabilitate existing affordable housing stock and prevent its conversion to market rate housing.

The entire Staff evaluation on this project is attached (see Attachment B). An analysis of how this project meets new policies currently being considered by the City Council is included on page four of the Staff evaluation.

The developer will be eligible for an impact fee waiver in the amount of \$162,500.

The current balance of the Housing Trust Fund is \$2,767,086. Approval of this loan would leave the fund balance at \$2,267,086.

Recommendations:

A. Housing Trust Fund Board and Recommendation

Following an extensive review and discussion on the key issues relevant to this project, the Housing Trust Fund Advisory Board unanimously recommended approval of a loan for \$500,000.00 at 5% annual interest over 30 years, recognizing that Salt Lake City will be in a junior lien position and that any guarantees on the loan need to be resolved by Staff and the appropriate attorneys. The Board recommended the loan be hard debt and not a cash flow loan.

As directed by the Board, Housing & Neighborhood Development Division Staff checked with Dave Miner and the City Attorney's Office regarding a guarantee because of the concerns raised by the applicant. Mr. Miner is of the opinion that the City cannot require this guarantee.

Mr. Miner recommended that if a cash flow loan is given, the following language should be included in the loan documents to protect the City's interest in this project as follows:

1. The note would become due upon a refinance before the owner could take money out;
2. The note would become due upon sale of the property, including a partnership interest sale in excess of 50%; and
3. A clear definition of which project expenses could be paid by cash flow ahead of City loan repayments which would limit the distributions to the partners to reasonable management fees.

The City could require that the City loan be paid before the developer takes out the developer fee.

B. Mayor's Recommendation

Mayor Anderson reviewed the applicant's request and the Housing Trust Fund Advisory Board's recommendation on May 30, 2006. Mayor Anderson recommended the loan request be approved for \$600,000 at 4.65% annual interest amortized over 30 years as hard debt and not as a cash flow loan.

The applicant has submitted a letter regarding the impact that the loan recommendation from the Housing Trust Fund Advisory Board would have on their project (see Attachment D).

PUBLIC PROCESS:

This loan request was reviewed by the Salt Lake City Housing Trust Fund Advisory Board on May 9, 2006. The minutes from the Housing Trust Fund Advisory Board meeting are included as Attachment C of this document.

RELEVANT ORDINANCES:

Chapter 2.80 of the Salt Lake City Code: Housing Trust Fund Advisory Board
Resolution #47 of 2005: Housing Trust Fund Appropriations and Loan Criteria

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Attachment B: Staff Evaluation of the Providence Place Apartment Project

Attachment C: May 9, 2006 Housing Trust Fund Advisory Board Minutes

Attachment D: Impact Letter from Applicant

Attachment E: Loan Application

ATTACHMENT A
Resolution

RESOLUTION NO. ____ OF 2006

AUTHORIZING A LOAN FROM
SALT LAKE CITY'S HOUSING TRUST FUND
TO WASATCH ADVANTAGE GROUP, LLC FOR
THE PROVIDENCE PLACE 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, Wasatch Advantage Group, LLC, has applied to the City for a loan from the City's Housing Trust Fund in order to construct the Providence Place Apartment Project to be located at 309 East 100 South in Salt Lake City that will consist of 125 affordable rental housing units for residents at 60% of the City's area median income or lower.

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 Wasatch Advantage Group, LLC, for \$600,000.00, with the appropriate guarantees, at four and sixty-five one hundredths percent (4.65%) per annum for thirty (30) years from Salt Lake City's Housing Trust Fund.

2. Wasatch Advantage Group, LLC, will use the loan funds to construct the Providence Place Apartment project at 309 East 100 South 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 _____, 2006.

SALT LAKE CITY COUNCIL

By: _____
CHAIR

ATTEST:

APPROVED AS TO FORM
SALT LAKE CITY ATTORNEY'S OFFICE
BY: _____
DATE: 5/31/06

CHIEF DEPUTY CITY RECORDER

ATTACHMENT B
Staff Evaluation

EVALUATION SALT LAKE CITY HOUSING TRUST FUND

Name of Organization: Wasatch Advantage Group, LLC

Name of Project: Providence Place Apartments

Location of Project: 309 East 100 South

Project Description: The project is proposed to consist of 125 apartment units that will be rent restricted and targeted to households at 60% of area median income or lower. The building will contain 30 two-bedroom/two-bath units, 69 one-bedroom/one-bath units and 26 studios with one bathroom. One parking stall will be set aside for each apartment unit. All units will be handicapped accessible.

<u>AMI Targets:</u>	<u>Rents:</u>
60% - 26 studio/one-bath units	\$604
60% - 69 one-bedroom/one-bath units	\$641
60% - 30 two bedroom/two-bath units	\$767

Amount and terms requested: \$850,000.00 at 2.45% interest over 40 years
Interest only is requested for the first 24 months during the construction and lease-up period.

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

Are the funds leveraged with non-government dollars? Yes

SOURCES OF FUNDS – Construction Financing:

	<u>Source</u>	<u>Amount</u>
Construction Loan	Calif. Bank & Trust	\$ 7,151,575
Predevelopment Loan	Alliant Capital	4,983,077
Equity – General Partner	General Partners	1,291,215
Gap Financing	SLC HTF	850,000
TOTAL:		\$14,275,867

SOURCES OF FUNDS - Permanent Financing:

Equity	LIHTC – Alliant Capital	\$ 4,983,077
Equity	Deferred Developer Fee	342,790
1st Mortgage	Private Activity Bond	8,100,000
2nd Mortgage	SLC HTF Loan	850,000
TOTAL		\$14,275,867

USES OF FUNDS

Land/Building Acquisition Costs	\$ 952,781
Site Work	352,583
Construction Costs	8,934,349
Construction Contingency	434,237
Architectural/Engineering Fees	388,000
Gen. Contractor & Developer Profit & Overhead	1,715,500
Interim Financing Expenses	422,896
Permanent Financing Expenses	325,197
Soft Costs (Survey, Market Study, Environmentals, etc.)	279,086
Syndication Costs	207,906
Project Reserves	263,331
TOTAL	\$14,275,867

Cost per unit: \$114,207 per unit

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

Repayment of the loan will come from the project's net operating income; therefore, the net operating income must be sufficient to support all of the project's debt.

The Board may want to clarify the intent of the developer to repay this loan. The applicant refers to the possibility of needing this loan to be a cash flow loan wherein payments would only be made if net operating income is available. It has always been the Administration's policy not to support cash flow loans without extenuating circumstances. Those circumstances might include projects that provided housing to 1) clients at very, very low-incomes (30% AMI or lower), 2) clients with special needs, 3) clients transitioning out of homelessness, or 4) clients living with HIV/AIDS.

The Administration has limited staff resources to properly audit cash flow loans to ensure all available funds are returned to the City. Staff is only aware of four cash flow loans approved by the City during the past 20 years: 1) the Milestone Apartment project (HTF funds) which is a Section 8 preservation project that would have resulted in a loss of 141 existing affordable housing units and was required by HUD (the primary lender) to be a cash flow, non-federal funds loan, 2) the Valor House project (CDBG funds) that provides housing to homeless veterans, 3) the Lowell Senior Apartment project (HOME and Renter Rehab funds) for very low-income senior citizens, and 4) the Hartland Apartment project (HDAG funds) that was approved twenty years ago consisting of 300 units, of which, 120 have been rent restricted for low-income residents. The Hartland project has been a continual challenge for the City to monitor and from which no payments have been provided by the developer/owner during the project's 20-year history. Only one of the above projects was funded through the Housing Trust Fund.

The City has not experienced the requirement suggested by the applicant that the senior lender will require this loan to be a cash flow loan, with the exception mentioned above on the Milestone project. The City subordinates on superior loans which provides the security that senior lenders usually require.

Does the project have demonstrated community support?

The applicant has requested a letter of support from the Central City Community Council since this is a new construction project. The letter of support provided in the application was for a different project.

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

The applicant has provided a list of local projects owned, operated and/or maintained by several of his partners. The applicant, however, does not have a loan history with Salt Lake City.

Private Activity Bond Projects

Because staff has limited experience on private activity bond projects, we requested Dave Miner, President of Municipal Bond Consulting, Inc., to review the bond portion of this project. Information from Mr. Miner's report has been incorporated into this evaluation.

Project Strengths:

The project would provide 125 additional units of affordable housing in the City.

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 existing 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 project would be located near the downtown area in proximity to mass transit, retail and commercial services.

Project Weaknesses:

The applicant is requesting an annual interest rate of 2.45% over 40 years. Interest rates are climbing and the Board needs to look at increasing the interest rates on all Salt Lake City Housing Trust Fund loans. One of the criteria outlined in the Resolution that authorizes the yearly appropriation for the Housing Trust Fund states that the interest charged on City loans should exceed the interest the City earns on its pooled investments. The rate of interest on the City's pooled investments for the last six months averages out at 3.86%. The interest earned in March 2006 was 4.42%. 4.5% is the minimum interest rate the Board should approve at this time for those projects that offer a significant, intangible benefit to the City. 5% is a more appropriate interest rate for projects that do not provide a higher than normal, intangible benefit to the City. Intangible benefits include providing housing to very low- to low-income residents, seniors, and disabled or special needs residents.

The only forty-year amortization periods the Board has previously approved, other than the one for the City Plaza project, were required by the U.S. Department of Housing and Urban Development on Section 8 projects that were done in order to retain and rehabilitate existing affordable housing stock and prevent its conversion to market rate housing.

Debt coverage ratio for this project is low. The standard ratio is 1.15. The DCR for this project is 1.15 with no repayment of the City's loan or the deferred developer's fee reflected in the proforma. Therefore, the DCR would not meet the standard ratio if repayments for our loan and deferred developer fees were included in that ratio. The Board may wish to have the applicant clarify these issues.

Construction casualty insurance of \$150,000, listed in the bond portion of the application, appears to be excessive.

Operating expenses and the applicant's estimate of the property tax liability appear to be on the low side which may significantly, negatively impact operating income if the actual numbers are higher than estimated. The applicant used 0.86% as the estimated tax rate and it should be closer to 1.45% or higher. The Board may wish to have the applicant clarify this issue.

The applicant is requesting nearly three times the amount of the loan cap previously established by the Housing Trust Fund Board. The \$850,000 to previously approved for the City Plaza project that the applicant refers to in the application, was for an entirely different proposal for 200 units at a different street address and consisting of a different group of investors/partners.

No set aside units have been included in the project for any special populations such as persons living with HIV/AIDS, developmentally disabled persons or those transitioning out of homelessness. Most of the 30-40 unit projects that utilize HTF funding include 4-6 set aside units that also provide more tax credit points for the applicant.

Contingency has been calculated at 4%. This figure may be too low considering the rapidly escalating construction costs of the recent past.

Developer's equity investment is only the deferred developer fee. There is no developer equity in the permanent financing of the project.

A loan guarantee on this project has been/will be provided on the primary loan by the project partners but was not offered to the City. A loan guarantee would eliminate the concerns a cash flow loan creates.

Though one has been requested, no letter of support from the Central City Community Council has been provided. The project previously reviewed by the CCCC was the City Plaza project, not this project.

Housing Policies and Preferred Housing Criteria for City-funded Projects

This project meets the following new housing policies currently being considered by the City Council:

- Creation of a variety of city-wide residential housing units, including affordable housing
- Proximity to mass transit, retail and commercial services
- Housing units that are consistent with the Federal Americans with Disabilities Act
- New housing development within the Downtown area
- Per unit construction costs are within the industry standards
- Provision of adequate off-street parking

Property acquisition was at or below market value
Developer fees are consistent with criteria adopted by the Utah Housing Corporation

This project is NOT consistent with the following new housing policies/preferred criteria currently being considered by the City Council for projects requesting City funding:

The preference for mixed-income projects.

This project is not a mixed-income project. The applicant states that 100% of the units will be provided for those at 60% of area median income or less. However, the project will not cash flow if rents are actually collected at a rate lower than 60%.

A preference for the number of affordable units to exceed the percentage of market rate units if the project is located in an area with a median income of 60% or above the City's AMI.

100% of the proposed units will be for those at 60% AMI. The AMI for this area is lower than 60%.

A preference that developer ownership will continue for a minimum of seven years.

The developer "anticipates" having a continuing role in the project throughout the compliance period but has not committed to do so.

No design information was presented that would allow for the evaluation of how design features would fit in with policies and preferences being considered by the City Council at this time.

Board Options

1. Table the matter and request amended financial documents assuring repayment of the City's loan and adequate operating income.
2. Approve the request at 5% over thirty years with either a balloon payment or rate adjustment in the 17th or 18th year of the loan to a market rate for a subordinate real estate loan if the project is cash flowing adequately. This would ensure the City would not be subsidizing the project unnecessarily after 15 years of rent appreciation. The City should also require the same guarantee that exists on the primary loan.
3. Approve the request at a lower loan amount with an amended amortization period of 30 years at 5% interest with interest only for the first 24 months. The City should also require the same guarantee that exists on the primary loan.
4. Approve the request for the requested loan amount with an amended amortization period of 30 years at 5% interest with interest only for the first 24 months. The City should also require the same guarantee that exists on the primary loan.
5. Approve the request as presented for \$850,000 at 2.45% over 40 years. The City should also require the same guarantee that exists on the primary loan.
6. Deny the request

ATTACHMENT C
May 11, 2006 Minutes

HOUSING TRUST FUND ADVISORY BOARD

Meeting of May 11, 2006

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

Chairperson Kent Moore called the meeting to order at 12:29 p.m.

Cara Lingstuyl motioned to approve the March 16th minutes. Faina Raik seconded the motion. All voted "Aye." The motion passed.

Consider a request from Kevin Keating, representing Wasatch Advantage Group, for a loan in the amount of \$850,000 at 2.45% interest over 40 years to construct the Providence Place Apartment project to be located at 309 East 100 South. The project is proposed to consist of 125 apartment units that will be rent restricted and targeted to households at 60% of area median income or lower. The building will contain 30 two-bedroom/two-bath units, 69 one-bedroom/one-bath units and 26 studios with one bathroom.

Mr. Kevin Keating representing Wasatch Advantage Group introduced Mr. Kip Sheppard, Mr. Jeff Nielson and Mr. Tony Hladek, managing members for the Providence Place Apartment project.

Mr. Keating presented an overview of the project and answered the Board's questions pertaining to the project. He further explained that Wasatch Advantage Group would use the HTF monies for construction costs, land acquisition and provide permanent gap financing to make this project financially feasible

Mr. Keating provided a detailed description of the project outlining the amenities and how the building design will complement the downtown neighborhood. Ms. Sandra Marler commented that Mr. Keating had submitted a current community council letter of support. Mr. Keating said the property site is in the downtown area near the proposed site for the City Plaza project that was presented to the Board a couple of years ago. Mr. Keating said that the property will be purchased from The Corporation of the Episcopal Diocese. Mr. Keating stated that due to a smaller parcel, this project will contain 75 less units than the City Plaza project, but they are requesting the same \$850,000 due to higher construction costs. Mr. Keating remarked that the market study supports the construction of the project and the project will help meet the goals of the existing Salt Lake City Community Housing Plan.

Mr. Keating explained that the senior lenders would require this loan to be a cash flow loan but said he believed the project would have sufficient operating revenues to meet the payments on a timely basis

A discussion followed between the Board, staff, Mr. Keating and Mr. Sheppard in regard to guaranteeing repayment of the loan, security of the loan, and loan documents so that the project partners, the City and the tax credit investors would be comfortable. Mr. Keating said that the property secures the loan and that during construction they would be providing a construction completion guarantee for the senior lender. If an issue of nonpayment arises due to insufficient cash flow, the agreement would be to carryover the shortfall at simple interest to the next year. Mr. Keating further explained that if there was a shortfall, and the property foreclosed, the equity in the property would satisfy the loan. The Board asked for clarification pertaining to the debt coverage ratio. Mr. Keating explained that the 1.15 DCR is debt service before payment to the City and the developer.

Mr. Sheppard confirmed that the partners would be guaranteeing the construction loan. Ms. Clark stated that Mr. Dave Miner, of Municipal Bond Consulting, recommended that the HTF loan have the same

guarantee as the other lenders. Ms. Clark said the Board would like to be assured that the City will be repaid on this loan. Mr. Sheppard said they want to demonstrate their desire to pay back the funds but it could eliminate their ability to obtain tax credits if the loan is guaranteed. A lengthy discussion followed regarding tax credit laws, tax credit investors and debt coverage ratio. Mr. Sheppard said they would be willing to commit to a guarantee, in writing, for the HTF loan that all available cash flow be available to pay the subordinate debt.

Peter Morgan moved to approve a loan in the amount of \$500,000 for the Providence Place Apartment project at 5% annual interest over 30 years recognizing that Salt Lake City will be in a junior lien position and that the issues relative to any guarantees on the loan be resolved by the staff and the appropriate attorneys. Cara Lingstuyt seconded the motion. All voted "Aye." The motion passed.

HTF Update by Luann Clark

Ms. Clark said that there is a potential preservation project coming up which is the New Grand Hotel and that the meeting will probably be scheduled within the next couple of months.

There being no further business, the meeting adjourned at 1:47 p.m.

LIHTC PROFORMA

Providence Place Apartments

PROJECT OPERATING PROFORMA									
	Units	Ann. Incr.	Per Mo.	Yr. 1	Yr. 2	Yr. 3	Yr. 4	Yr. 5	
Affordable Units	125	3.00%	82,943	995,316	1,025,175	1,055,931	1,087,609	1,120,237	
Market Rate Units	0	2.50%	0	0	0	0	0	0	
Other Income		45	5,625	67,500	68,344	69,198	70,063	70,939	
Federal Operating Subsidies			0	0	0	0	0	0	
Vacancy Rate		7.0%	(6,200)	(74,397)	(76,546)	(78,759)	(81,037)	(83,382)	
TOTAL OPERATING INCOME			82,368	988,419	1,016,973	1,046,370	1,076,635	1,107,793	
				Ann. incr.					
TOTAL OPERATING EXPENSES.....	\$	2,999	3%	31,243	374,917	386,165	397,749	409,682	421,972
NET INCOME FROM OPERATIONS				51,125	613,502	630,808	648,620	666,953	685,821
Capitol Replacement	\$	250		2,604	31,250	31,250	31,250	31,250	31,250
CUMULATIVE RESERVES					31,250	62,500	93,750	125,000	156,250
NET CASH FLOW FROM PROJECT.....				48,521	582,252	599,558	617,370	635,703	654,571

Principal	Amort.	Rate	Term	Mo. Pay.	Annual Pay				
7,450,032	420	5.450%	420	39,764	477,170	477,170	477,170	477,170	477,170
850,000	480	2.450%	480	2,780	33,357	33,357	33,357	33,357	33,357
0	360	0.000%	360	0	0	0	0	0	0
0	360	0.000%	360	0	0	0	0	0	0
342,790	120	4.500%	120	3,553	42,631	42,631	42,631	42,631	42,631
0	360	0.000%	360	0	0	0	0	0	0
0	360	0.000%	360	0	0	0	0	0	0
0	360	0.000%	360	0	0	0	0	0	0
0	360	0.000%	360	0	0	0	0	0	0
0	0		0	0	0	0	0	0	0
DEBT SERVICE EXPENSE.....				46,096	553,158	553,158	553,158	553,158	553,158

COVERAGE RATIO ANALYSIS									
		Per Mo.	Yr. 1	Yr. 2	Yr. 3	Yr. 4	Yr. 5		
Income Available to service LIENS		48,521	582,252	599,558	617,370	635,703	654,571		
Debt Service Expense FIRST Mtge		39,764	477,170	477,170	477,170	477,170	477,170		
NOI after First Mtge		8,757	105,082	122,389	140,201	158,533	177,401		
COVERAGE RATIO ON FIRST LIEN MTGE		1.22	1.22	1.26	1.29	1.33	1.37		
Subordinate Loans:		SLC HTF	2,780	33,357	33,357	33,357	33,357	33,357	
			0	0	0	0	0	0	
			0	0	0	0	0	0	
Deferred Developer's Fee		3,553	42,631	42,631	42,631	42,631	42,631	42,631	
Local Funds		0	0	0	0	0	0	0	
Local Funds		0	0	0	0	0	0	0	
Local Funds		0	0	0	0	0	0	0	
OWHLF HOME Funds		0	0	0	0	0	0	0	
Subtotal: Subordinate Mortgages		6,332	75,988	75,988	75,988	75,988	75,988	75,988	
Debt Service All Mtge		46,096	553,158	553,158	553,158	553,158	553,158	553,158	
Before Tax NI		2,425	29,094	46,401	64,213	82,545	101,413		
COVERAGE RATIO ON ALL LOANS		1.053	1.05	1.08	1.12	1.15	1.18		

CENTRAL CITY NEIGHBORHOOD COUNCIL

Liberty Senior Center
251 East 700 South
Salt Lake City, Utah 84111

Date: May 3rd, 2006

To: Jeff Nielson

Re: Proposed 125 unit apartment complex at 309 E. 100 S.

Central City Neighborhood Council(CCNC) has heard the proposal by Wasatch Advantage Group regarding a 125 unit apartment complex. There was general support for this project with many people complimenting the size and look of the complex. We look forward to this addition to our Community. Thank you

Thomas Mutter
Chair CCNC

ATTACHMENT D
Applicant's Impact Letter

WASATCH ADVANTAGE GROUP, LLC

12553 Eagle Run Dr.

Omaha, NE 68164

Telephone: (402) 504-1942

Facsimile: 9402) 504-1966

Email: kkeating@netwasatch.com

May 19, 2006

Luann Clark, Director
Salt Lake City Corporation
Housing & Neighborhood Development
451 So. State St., Room 406
Salt Lake City, UT 84111

Re: Housing Trust Fund Loan Application for Providence Place Apartments (f.k.a. City Plaza Apartments) 309 East 100 South, Salt Lake City, Utah 84111

Dear Luann,

We first want to thank you, your staff and the Housing Trust Fund Advisory Board ("Advisory Board") for considering our Housing Trust Fund loan application. As you know, the Advisory Board convened on May 11th to consider our loan request for the proposed construction of a 125 unit affordable housing development at 309 East 100 South (hereinafter referred to as the "Project" or "Providence Place Apartments"). After significant discussion regarding the merits of this Project, the Advisory Board concluded the Providence Place Apartments was worthy of the City's financial support and passed a motion to approve a \$500,000 loan to the Project. We are very appreciative of the Advisory Board's action in support of the proposed development. However, after careful review of the loan terms proposed by the Advisory Board, we became concerned about how these loan terms would affect our overall project financing. Our original loan application requested an \$850,000 loan with a 40 year term, 40 year amortization period and 2.45 percent interest rate. These were the same loan terms previously approved by the Advisory Board, Mayor Anderson's office and the Salt Lake City Council for the original City Plaza Apartments project in 2005. The Advisory Board's motion to recommend approval of only \$500,000 leaves us with a \$350,000 funding gap. The only way to fund the gap is to borrow more from the senior lender at a higher interest rate. In addition, the Advisory Board's motion approving the loan reduced the loan amortization period from 40 to 30 years and increased the interest rate from 2.45 percent to a 5.0 percent interest rate. Together, the higher senior loan amount, the reduced amortization period and increased interest rate significantly increases the annual debt service payments required and reduces the available cash flow to below an acceptable 1.15 debt coverage ratio.

Without additional help from the City this project may not be financially feasible. To keep the development moving forward, we respectfully request your assistance in bringing our concerns to the Mayor and the City Council and requesting, on our behalf, that they consider approving the \$850,000 loan with our original loan terms. If the interest rate of 2.45 percent is not achievable due

to increased costs of borrowing to the City, then we ask that the interest rate on the loan not be any higher than necessary and, in any event, not higher than the cost of funds to the City.

We are committed to developing decent, safe, and affordable apartment communities. With the City Council's approval of this final aspect of our project financing we hope to start preparing **the** construction site within the next few weeks. The lack of **affordable** housing in downtown Salt Lake has been well documented in **the** City's own housing needs analysis. The 125 affordable apartment units proposed for the Providence Place Apartments will help the City satisfy its affordable housing needs and will benefit **all** the citizens of Salt Lake by addressing a very real affordable housing problem within the city.

We are grateful for your continued assistance with regard to this loan application **and** look forward to **partnering** with the City to address the need for **quality** affordable housing downtown. **Thank** you again for your time and consideration of this request. **Please** do not hesitate to call me if you have any additional questions concerning any aspect of our proposed development or in connection with the loan application. You **can** reach me at (402) 504-1942 or by **email** at kkeating@netwasatch.com.

Sincerely,



Kevin M. Keating

Vice President Acquisitions & General Counsel

ATTACHMENT E
Loan Application

**FUNDING APPLICATION
SALT LAKE CITY HOUSING TRUST FUND
Cover Sheet**

Project Name: PROVIDENCE PLACE APARTMENTS

Applicant/Sponsor/Organization: Wasatch Advantage Group, LLC, a Utah limited liability company and its successors and assigns

Mailing Address: Wasatch Advantage Group, LLC
C/O Kevin M. Keating
12553 Eagle Run Dr.
Omaha, NE 68164

Contact Person: Kevin Keating

Phone Number: 402-504-1942

Fax Number: 402-504-1066

E-mail: kkeating@netwasatch.com

Federal Employee Identification Number: To be applied for upon organization of operating entity.

Project Name: Providence Place Apartments

Project Location: 309 East 100 South, near Salt Lake City's Central Business District.

Amount Requested: \$850,000 This is the same amount previously awarded to the City Plaza Apartments project by the Housing Trust Fund advisory committee and approved by Mayor Anderson and the City Council. For business reasons the original site was sold and the project was relocated to 309 East 100 South. The requested loan amount represents \$6,800 per unit. On a per unit basis this is significantly less than loan amounts approved by the City in support of many other affordable housing developments.

Terms Requested: Construction/Permanent Gap Financing, 40 year term, 40 year amortization at 2.45% interest. Interest only for first 24 months (i.e. during construction & lease-up period).

Please contact Sandi Marler at 535-7269 if you have questions or need assistance completing this application. The application is typed in Microsoft Word and is available on disc.

Project Description Part I

- 1. Describe the scope of the project (how many total units, how many affordable units, type of project, etc.). Please address how your project will be accessible/visit-able. Please attach site plan, floor plan, and elevation of your project, if available.**

The Providence Place Apartments project will include 125 apartment units, 125 parking spaces in a tiered parking structure and an outdoor plaza and/or roof garden.

All 125 apartment units will be rent restricted and targeted to households at 60% or below of Salt Lake County's area median income (AMI). The apartment building will contain 30 two-bedroom/two-bath units, 69 one-bedroom/one-bath units, and 26 studios with one bath. There will be one parking stall set aside for each apartment unit. There are also metered parking stalls on 300 East and 100 South streets.

All units will be handicap accessible and comply with federal, state and local housing laws.

The Developer's current plans include the following amenities:

Project Based Amenities:

- Controlled access
- On-Site Management Office
- Covered Parking
- Club Room/Computer Resource Center/Library
- Fitness Room

Unit Based Amenities:

- Balcony (Some Units) and/or Terrace Roof Garden
- Dishwasher/disposal
- Washer/dryer
- Walk-in Closets

The building design will take into consideration and complement the residential/commercial nature of this transitional downtown neighborhood.

2. Does the project conform to the City's Master Plans for the area? Please indicate which master plan(s). Briefly restate the master plan objectives the project will meet.

Yes, the project conforms to the Salt Lake City Five-Year Consolidated Plan for 2000-2005 and the Salt Lake City Community Housing Plan Development.

The Project was designed to accomplish several goals set forth in the Salt Lake City Five-Year Consolidated Plan. First, it will achieve the goal of benefiting primarily low-to-moderate income citizens. Because the residents of this neighborhood are primarily low-to-moderate income individuals and families, the Project will provide much needed affordable housing to those residents. It will also increase the availability of newer, higher quality housing units in an area that currently holds the distinction of having a disproportionately high number of substandard quality units in its housing inventory. Having newer, higher quality units available with affordable rents will put pressure on owners of older neighboring rental properties to reinvest in their properties. In order to remain competitive owners of older properties in the area will have a real economic incentive to reinvest cash-flow back into their properties to make them more attractive and marketable. As owners of competing rental properties reinvest in their properties, the City will benefit by the increased property values, increased tax revenues and greater sense of community pride as older projects and neighborhoods are rehabilitated and repopulated.

The Community Housing Plan Development stated that the goal of Salt Lake City was to enhance, maintain and sustain a livable community that includes a vibrant downtown integrated with surrounding neighborhoods that offer a wide range of housing choices, mixed uses, and transit-oriented design. 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 statistical area are unable to afford Fair Market Rents based on their income. Furthermore, the Central City district is identified as having a disproportionately high number of substandard units in its housing inventory. According to its own "Affordable Housing Needs Analysis" Salt Lake City has a tremendous need for more affordable housing to be developed within the boundaries of Salt Lake City. The Providence Place Apartments project addresses these issues and accomplishes several of the objectives set forth in the Salt Lake City Community Housing Development Plan. Restated below are the objectives, identified in the Salt Lake City Community Housing Plan that this Project is designed to address:

- the creation of a variety of housing types across the City;
- the development of mixed use and mixed income housing;
- the creation of affordable and transitional housing;
- the use of innovative funding mechanisms for the development of affordable housing;

- architectural designs that are compatible with the neighborhood, incorporate open space, interface with public spaces, address parking issues and are aesthetically pleasing.

The Providence Place Apartments will generate positive social and economic benefits throughout the Salt Lake City community through job creation, community building, and by facilitating business vitality by bringing more consumers to the downtown business district. The project is within walking distance of nearly 2 million square feet of retail located in the Central Business District. Tenants will enjoy excellent proximity to mass transportation (UTA and TRAX). A TRAX station is located two blocks west of the site on Main Street and the UTA bus line stops within the block on 100 East. This will allow tenants easy access to their employment and other city destinations in a reliable and environmentally friendly manner using existing transit resources. The apartment building and enclosed parking facility will be designed to be aesthetically pleasing and compatible with neighboring buildings.

The high price of land and increased cost of construction associated with building below-grade parking and a high density mid-rise apartment building are obstacles that would make this project financially unfeasible as market rate housing. However, utilizing an innovative combination of funding sources including a Salt Lake City loan, bond financing, low income housing tax credits and deferred developer fees, the development team has assembled the sources of funds needed to bridge the financing gap.

3. What is the property zoned?

The subject property is zoned "R-MU". The R-MU zoning designation allows for the type of multifamily residential development being proposed.

4. All new construction projects will need to be reviewed by the appropriate Community Council. Please provide a copy of the Community Council's response to the review of your project.

Letters of support are attached as Exhibit A.

5. Please include a breakdown of the number of units that will be provided for the various percentages of area median income (i.e., how many units for those at 80%, 50% AMI, etc.), along with a list of the rents that will be charged to each group.

Unit Type SRO/Studio	Total Bathrooms	Number of Units	AMI Target	Monthly Base Rent Per Unit
Studio	1	26	60%	\$604
1	1	69	60%	\$641
2	2	30	60%	\$767

6. How will the project be accomplished if the Salt Lake City Trust Fund is unable to fund this request?

Due to the high cost of land and mid-rise construction design, some form of financial assistance will be required to make this project financially feasible.

7. How do you intend to use funds provided by Salt Lake City Corporation?

The funds will be used to fund construction costs, land acquisition and to provide permanent gap financing for the project.

**Project Funding
Part II**

- 1. Please list the sources of all funds as of the date of the application. If this is a tax credit project, please provide one complete copy of the tax credit application.**

Sources of Funding/Construction:

	<u>Source</u>	<u>Amount</u>
Const Loan	California Bank & Trust	\$ 7,151,575
Predevelopment Loan	Alliant Capital	\$ 4,983,077
Equity-General Partner	General Partners	\$ 1,291,215
Loan	Salt Lake City/HTF	\$ 850,000
Total Sources		\$14,275,867

Sources of Funding/Post Construction:

	<u>Source</u>	<u>Amount</u>
Equity	LIHTC Equity- Alliant Capital	\$ 4,983,077
Equity-General Partner	General Partners- Deferred Fees	\$ 342,790
1 st Mortgage	Private Activity Bond- CB&T	\$ 8,100,000
2 nd Mortgage	Salt Lake City HTF Loan	\$ 850,000
Total Sources		\$14,275,867

1a. Ratio of Salt Lake City Trust Funding to total funding:

Approximately 5.95%

- 2. Please list the uses of all funds for the proposed project, being as specific as possible. The total of Uses of Funds should equal the total project cost.**

Uses:

Land Cost	\$ 952,781
Site Work	\$ 352,583
Construction Cost	\$ 8,934,349
Construction Contingency	\$ 434,237
Architectural & Engineering	\$ 388,000
General Contractor & Developer Profit & Overhead	\$ 1,715,500
Interim Financing Expense	\$ 422,896
Permanent Financing Expenses	\$ 325,197
Soft Costs (Survey, Mkt. Study, Environmental, etc.)	\$ 279,086
Syndication Costs	\$ 207,906
Project Reserves	\$ 263,331
Total Uses	\$14,275,867

3. What will be the value of the project at the time of completion?

A professional valuation has not yet been completed. Using a cost based valuation method we estimate a project value of \$14,000,000. If an income based valuation method were utilized the value would be considerably less due to the rent restrictions imposed by the land use restriction agreement.

4. Please attach sales or operating projections for the project for the first five years after completion. Please list below the assumptions made to prepare the operating projection. Please show revenue and expense categories in as much detail as possible.

Assumptions: The 1st year revenue and expense projections assume the project is leased and stabilized on January 1 of the 1st year of operation. Also assumed is a project vacancy rate of 7% annually, project revenues increase 3% annually and project operating expenses increase 3% annually.

For detailed operating expense and revenue projections, please see attached Exhibit B.

5. What is the source of repayment of the funds?

Net Cash Flow from Project Operations.

6. What type of security is being offered to the City?

A security interest in land and improvements to the extent allowed by senior funding sources.

7. Please list all other governmental grants, loans, tax credits, licenses, etc., necessary for this project to proceed. Please include information on the status of all funding required for the completion of this project.

Private Activity Bonds ("PAB")(\$ 8,100,000) bond issuance at approximately 5.25% interest rate, which rate includes credit enhancement). A private activity bond application was submitted to the Utah Department of Community and Economic Development on March 20, 2006. It is anticipated that we will receive notification of a volume cap award from the PAB review board on April 12, 2006. California Bank & Trust has expressed an interest in purchasing the private activity bond following issuance.

Low Income Housing Tax Credits (estimated \$4,983,077). Following a technical review, Projects funded with PAB's generally receive an allocation of LIHTC's based on a percentage of the projects eligible basis. The LIHTC/PAB application is currently under consideration by Utah Housing Corporation. Alliant Capital has provided a letter of intent to purchase the tax credits.

Salt Lake City Housing Trust Fund (\$850,000 loan, 40 year term, 2.45% interest, interest only during construction and lease-up to stabilized occupancy). These are the same loan terms previously awarded to the City Plaza Apartments project by the Housing Trust Fund advisory committee and approved by Mayor Anderson and the City Council in 2005.

Salt Lake City, Planning Division, Demolition Permit. Application has not been submitted.

Salt Lake City, Planning Division, Building Permit. Application has not been submitted.

- 8. Please describe the purchase terms under which the applicant will/has acquire(d) the property. How much of the purchase price will be paid with equity provided by the applicant? By others?**

The applicant will acquire the real property from The Corporation Of The Episcopal Church In Utah for a purchase price of \$925,281. The purchase price will be paid from owner's equity and proceeds derived from the sale of the low income housing tax credits.

- 9. If an appraisal of the property has been obtained, please attach a copy.**

Please see the attached Exhibit C.

- 10. Please state the number of years you will maintain this property as affordable.**

This property will remain rent restricted for 51 years pursuant to the terms of the land use restriction agreement (LURA) to be recorded by Utah Housing Corporation.

**Applicant Information
Part III**

1. Please check each of the following which is true for the Applicant

☐ (a) The Applicant is an individual doing business under his/her own name.

☒ (b) The Applicant has the status indicated below and is organized or to be organized under the laws of Utah

☐ A corporation

☐ A nonprofit or charitable institution or corporation

☐ A partnership known as or to be known as:

☐ A business association or joint venture known as or to be known

as: _____

☐ A Federal, State or local government or instrumentality thereof

☐ Individual known as: _____

Social Security Number of Individual: _____

☒ Other (explain): a Utah limited liability company.

2. If the Applicant is not an individual or a government agency, give date of organization:

The operating entity will be a to-be-formed limited liability company authorized to do business in Utah. The applicant Wasatch Advantage Group, LLC is a Utah limited liability company formed on November 4, 2004.

3. Please provide a list of the officers, director or trustees, board of trustees or board of directors, or partners of the applicant's organization.

The operating company that will own and operate the project has not yet been organized. A new special purpose limited liability company (the "Operating Company") will be organized as the ownership entity for the Providence Place

Apartments. It is anticipated that Wasatch Advantage Group, LLC (or its assigns), will be the managing member of the new Operating Company. Kevin Keating, Kipling Sheppard, Dell Loy Hansen, Jeff Nielson, and Tony Hladek are members in Wasatch Advantage Group, LLC.

4. Who will manage the property once it has been acquired?

Wasatch Premier Properties, LLC a Utah limited liability company will provide the local on-site property management and compliance monitoring of the proposed project. Kevin Keating will provide management over-sight with respect to IRC Section 42 compliance matters. Wasatch Premier Properties, LLC currently manages other affordable properties in Utah, including the Palladio Apartments at 200 West 300 North in Salt Lake and the Springwood Apartments in Bountiful, Utah, along with a portfolio of over 10,000 market rate units across the western half of the United States. Please see development team resumes attached hereto as Exhibit D.

5. Please provide a brief description of your organization.

Wasatch Advantage Group, LLC has put together a development team that includes Kipling S. Sheppard, company president and industry veteran in affordable housing, Dell Loy Hansen, real estate developer and financial partner, and Kevin Keating, an attorney and development specialist in affordable housing. Tony Hladek, VP of Development for Wasatch Advantage Group, will head up the project management for Providence Place. In addition, Architectural Nexus, a Salt Lake based architectural firm has been engaged as the architect for the project and discussions have been initiated with Ingenuity Builders, Inc. as the general contractor for the project.

6. Who will be responsible for this project?

Wasatch Advantage Group, LLC (or its assigns). Kevin Keating, Kip Sheppard, Jeff Nielson, Dell Loy Hansen, and Troy Hladek are each members in Wasatch Advantage Group, LLC. Wasatch Advantage Group, LLC will be the managing member in the to-be-created managing member (the "Managing Member") of the new Operating Company. The Managing Member will be responsible for the day to day operations of the project.

7. Please provide examples of experience your organization has with this type of project.

Development Team resumes are attached hereto as Exhibit D.

**Current Ownership Information
Part IV**

1. Who is the current owner of the property?

The Corporation of the Episcopal Diocese of Utah is the Seller.

2. Who is the current manager of the property?

Stephen Hutchinson, Chancellor, currently manages the property for the Diocese.

3. Please provide a list of the officers, director or trustees, board of trustees or board of directors, or partners of the organization that currently owns the property.

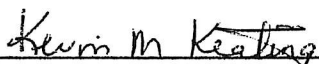
Officers: See below

Directors or Trustees:

Mr. George Gibson, President
The Rev. Stan W. Ver Straten, Vice President
Mr. Mark LeTourneau, Secretary
The Rev. Adam S. Linton
Ms. Patricia Vidiella
The Rev. Susan Wiltsey

Certification

I, Kevin Keating, certify that this Applicant Disclosure of Ownership and Control is true and correct to the best of my knowledge and belief.


Name: Kevin M. Keating
Title: Vice President, Wasatch Advantage Group, LLC
Address: 12553 Eagle Run Dr.
Omaha, NE 68164

Date: March 24, 2006