
SALT LAKE CITY COUNCIL STAFF REPORT

DATE: February 7, 2006

SUBJECT: **Proposed Housing Trust Fund Loan to Jameson Properties
for rehabilitation of Stratford Hotel**

AFFECTED COUNCIL DISTRICTS: District 4

STAFF REPORT BY: Gary Mumford

ADMINISTRATIVE DEPT. Housing and Neighborhood Development

AND CONTACT PERSON: LuAnn Clark

KEY ELEMENTS:

On June 29, 2005, a fire displaced residents of the Stratford Hotel apartments located at 175 East 200 South. La Porte Properties is proposing to purchase the vacant building and replace the former 50 single-room-occupancy units that had shared bathrooms. Rehabilitation will provide 46 new self-contained studio apartments with private bathrooms and kitchenettes. The City's Housing Trust Fund Advisory Board unanimously approved a 30-year \$233,079 loan at 2.5% interest to Jameson Properties, LLC, to help finance the \$4,519,000 project. Jameson Properties is a limited liability company established by La Porte Properties specifically to purchase and rehabilitate the Stratford Hotel.

MATTERS AT ISSUE/POTENTIAL QUESTIONS:

1. La Porte Properties plans to construct new "affordable" studio apartments in the upper two floors of the old Stratford Hotel and to retain the commercial space on the first floor and in the basement. The \$4,519,000 project is to purchase the building and rehabilitate the housing units. The purchase price is \$634,000, and rehabilitation is estimated at \$2,587,000. Other costs include site work, architectural, engineering, permits, interim financing, permanent financing costs, contingency and profit. La Porte Properties plan to obtain separate financing to rehabilitate the commercial space. The commercial space is currently vacant because of water damage from the fire. The Council may wish to ask representatives of the Administration whether the commercial space will be rehabilitated at about the same time as the housing units.
 2. The developer is proposing a historic restoration of the exterior of the building, which was built in 1927. Grant funds are available to assist with the funding of the historic restoration according to the developer.
 3. The maximum allowable rental rates of 44 units will be \$375 per month. Residents must have no more than 35% of area medium income. Maximum rents of 2 units will be \$268 and will target residents with 25% or less of area medium income. These area medium income rates will remain in effect for 99 years. Background checks of potential residents are required.
 4. La Porte Properties is proposing to incorporate solar panels as a source of energy, which according to the loan application will reduce tenant utilities by approximately 35%. The loan application indicates that credits are available to assist with this cost.
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5. The City financing request of \$233,079 will be leveraged with \$2,840,213 of tax credit financing, \$309,468 loan from the Olene Walker Housing Loan Fund, federal and state historic grants of \$1,071,268 relating to the exterior restoration, and credits of \$54,000 for installing solar panels. The developer told the Housing Trust Fund Advisory Board that funding from the local jurisdiction is required in order to receive the Olene Walker loan. The purchase of the building is contingent upon funding. The developer told the Housing Trust Fund Advisory Board that the project would have to be withdrawn if the City's loan is not approved.
6. According to the Administration, profit and overhead of \$543,000 (12% of total project cost) is within guidelines of the Utah Housing Corporation for rehabilitation of housing units. The Housing Trust Fund Advisory Board believes that the proposed budget for contingency of \$154,000 could be low based on the amount of rehabilitation. Cost overruns in excess of contingency will reduce the developer's profit.
7. According to the Administration, La Porte Properties has successfully rehabilitated similar historic buildings. La Porte Properties has six other properties in Salt Lake City and four in Ogden. The developer is current on its Salt Lake City loan repayments on other projects.
8. The project supports the new housing policy statements currently being considered by the City Council for affordable housing – preservation and rehabilitation of existing housing stock, historic preservation, and downtown housing development. The project meets a policy goal of the Salt Lake Community Housing Plan of increasing the number of historic multi-family units rehabilitated. Since the project is a rental rehabilitation project, it is not subject to the Preferred Housing Criteria analysis currently being considered by the City Council for loans relating to new construction. The Stratford Hotel is zoned as D3 (Central Office District). This project is a conforming use.
9. Since this is a rehabilitation project and the building will not be replaced, the project is not required to meet current parking standards. The Council may wish to ask representatives of the Administration whether some nearby parking is available.
10. The Housing Trust Fund Advisory Board approved the loan with the condition that the City's funds will not be provided until near the end of the construction period with repayments on the loan being deferred until six months after the final release of funds so that rental income will be available for repayment of the loan. A market study by an independent consultant approved by the Utah Housing Corporation concluded that there is a market that is adequate to maintain a high occupancy at the project at the maximum-allowable rental rates. The Council may wish to ask the representative of the Administration whether the six-month deferral of loan repayments will be the Board's standard recommendation on future projects.
11. The current balance of the City's Housing Trust Fund is \$2,140,165, and the balance in the RDA Housing Trust Fund is \$45,805. If the \$233,079 loan is approved, the balance in the City's Housing Trust Fund will be \$1,917,086.

OPTIONS:

1. Forward the loan request to the February 14 Council Meeting for formal consideration.
 2. Request additional information.
 3. Deny the loan.
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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 Fluhart, Chief Administrative Officer **DATE:** January 27, 2006
FROM: Louis Zunguze, Community Development Director
SUBJECT: A resolution authorizing the Mayor to execute a loan agreement between Salt Lake City Corporation and Jameson Properties, LLC, for rehabilitation of the Stratford Hotel Apartment project located at 175 East 200 South in Salt Lake City, Utah

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

ACTION REQUIRED: Adoption of a Resolution by City Council

DOCUMENT TYPE: Resolution

BUDGET IMPACT: None

DISCUSSION:

Ben Logue of La Porte Properties, LLC, on behalf of Jameson Properties, LLC, is requesting a Salt Lake City Housing Trust Fund rehabilitation loan in the amount of \$223,079.00 at 2.5% interest to be amortized over 30 years for the purpose of converting the Stratford Hotel from single room occupancy (SRO) units to an affordable super-studio/apartment facility. The Stratford Hotel was built in 1927 and converted to SRO units on the two upper floors with commercial space on the first floor and in the basement. The building has been vacant since it was damaged by a fire in 2005. Mr. Logue intends to convert the 50 single room occupancy units to 46 affordable apartment units on the two upper floors and retain commercial space on the first floor and in the basement. The affordable housing units will be available for persons at 35% of area median income or lower for a period of 99 years.

The loan requested from the Housing Trust Fund will be leveraged with low-income housing tax credit funds provided by Key Bank, Federal historic tax credits, solar credits, and the State of Utah's Olene Walker Housing Loan Fund. The City will be in second position on the loan. It is anticipated the total cost of the project will be \$4,519,063.

On January 12, 2006, the Housing Trust Fund Advisory Board reviewed this proposal. The Board unanimously approved the request subject to the City's funds being provided near the end

of the construction period with repayments on the loan being deferred until six months after the final release of funds or no later than March 1, 2007, in order for project construction to be completed so that rental income will be available for repayment of the loan. Attached please find a copy of the staff report and the Housing Trust Fund Advisory Board minutes.

This project helps fulfill the City's goal of facilitating the provision of affordable housing in the Downtown area. This project also furthers the City's energy conservation goals by incorporating solar panels as a source of energy in order to conserve energy and reduce tenant utilities by approximately 35%.

The current balance of the City's Housing Trust Fund is \$2,140,165; approval of this loan request would leave the fund balance at \$1,917,086.

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RESOLUTION

RESOLUTION NO. _____ OF 2006

AUTHORIZING A LOAN FROM
SALT LAKE CITY'S HOUSING TRUST FUND
TO JAMESON PROPERTIES, LLC FOR
THE STRATFORD HOTEL 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, Jameson Properties, LLC., has applied to the City for a \$223,079.00 loan at 2.5% over thirty (30) years for the purpose of rehabilitating the Stratford Hotel located at 175 East 200 South to consist of 46 apartment units on the upper two floors and commercial space on the first floor and in the basement.

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 Jameson Properties, LLC, LP for \$223,079.00 at two and one-half percent (2.5%) per annum for thirty (30) years from Salt Lake City's Housing Trust Fund.

2. Jameson Properties, LLC, will use the loan funds to rehabilitate the Stratford Hotel located at 175 East 200 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:

CHIEF DEPUTY CITY RECORDER

APPROVED AS TO FORM
SALT LAKE CITY ATTORNEY'S OFFICE
BY: *[Signature]*
DATE: 1/25/2006

STAFF EVALUATION

**EVALUATION
SALT LAKE CITY HOUSING TRUST FUND
Stratford Hotel Apartments**

Name of Organization: La Porte Properties, LLC

Name of Project: Stratford Hotel Apartments

Location of Project: 175 East 200 South

Project Description: The applicant is requesting a loan in order to purchase the existing hotel and convert the project into 46 affordable housing units with commercial space on the first floor and in the basement. Housing Trust Funds will only be used for the residential portion of the project. Rents for the project will be as follows:

<u>AMI Targets</u>	<u># of Units</u>	<u>Unit Type</u>	<u>Rents</u>
35%	44	studio units	\$375.20
25%	2	one-bedroom units	\$268.00

Amount and terms requested: \$223,079 at 2.5% over 30 years

Is the entire project eligible for Housing Trust Fund money?

No. Only the residential portion of the project is eligible.

Are the funds leveraged with non-government dollars?

Yes

SOURCES OF FUNDS - Permanent Financing:

Equity	LIHTC – Key Bank	\$2,840,213
Equity	Owner	3,400
1 st Mortgage	SLC HTF.	223,079
2 nd Mortgage	OWHLF Federal	59,297
3 rd Mortgage	OWHLF Non-federal	250,171
Grants	Federal Historic	696,699
Grants	State Historic	374,569
Other	Deferred Developer Fee	17,635
Other	Solar Credits	54,000
TOTAL		\$4,519,063

USES OF FUNDS

Land/Building Acquisition Costs	\$ 634,000
Rehabilitation/Construction Costs	2,587,057
Site Work, A/E, Permit and Other Fees	269,860
Profit and Overhead	543,000
Contingency	154,000
Interim Financing Costs	181,274
Permanent Financing Costs	23,272
Soft Costs	34,600
Syndication Costs	49,000
Project Reserves	43,000
TOTAL	\$4,519,063

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

The loan will be repaid from rental income.

Does the project have demonstrated community support?

As a rehab project, community support is not required.

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

Yes. An extensive list of completed projects is included in the application.

Project Strengths:

The project owner has successfully developed, owned and rehabilitated similar vintage historic buildings. The owner has also previously owned and managed tax credit properties.

The owner currently has several loans with Salt Lake City and has met all requirements, is current on the existing loans and provides required information in a timely manner.

Set-aside units include five units for persons with HIV/AIDS, five units for developmentally disabled persons, and two units for persons transitioning out of homelessness.

The project meets a priority goal of the Salt Lake Community Housing Plan increasing the number of historic multi-family units rehabilitated and will remain affordable for 99 years.

Rehabilitation of the units will be substantial and not merely cosmetic in nature and will extend the lifespan of this older building.

The market study indicates that there is a market that is adequate to absorb these affordable units. The market study was prepared by an entity approved by the Utah Housing Corporation (UHC).

Project Weaknesses:

Contingency for this project appears to be low based on the amount of rehabilitation. The developer has identified, to staff, a strategy to cover any cost overruns with his developer fee. The board may wish to confirm this at the Housing Trust Fund meeting.

Housing Policies and Preferred Housing Criteria for City-funded Projects

This project supports the new housing policy statements currently being considered by the City Council for affordable housing, the preservation and rehabilitation of existing housing stock, historic preservation and downtown housing development.

This project meets the criteria established in the new housing policies currently being considered by the City Council that multi-family units will be considered for financial

support if the property is rehabilitated and the income level of the residents remains unchanged.

Since this project is a rental rehabilitation project, it is not subject to the Preferred Housing Criteria analysis currently being considered by the City Council. The allowable percentage for the developer fee is higher for rehab projects than fees allowed for new construction though the actual dollar amount of the developer fee is lower. Higher percentage developer fees, however, are allowed as a national standard on hard-to-develop projects, such as single-room occupancy housing, in order to encourage the preservation of existing housing stock and to mitigate some of the risk incurred by the developer.

Board Options:

Approve applicant's loan as requested

Deny applicant's loan request

HOUSING TRUST FUND ADVISORY BOARD MINUTES

HOUSING TRUST FUND ADVISORY BOARD

Meeting of January 12, 2006

The following board members were in attendance: Curtis Anderson, Karen Cahoon, William Dalton, Cara Lingstuyt, Kent Moore, Peter Morgan, Nancy Pace and Faina Raik. 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 12:12 p.m.

Faina Raik motioned to approve the December 8th minutes. Nancy Pace seconded the motion. All voted "Aye." The motion passed.

Consider a request by LaPorte Properties, LLC, for a loan in the amount of \$223,079.00 for purchase and rehabilitation of the residential portion of the Stratford Hotel Apartments located at 175 East 200 South. The project will consist of commercial space on the first floor and in the basement with 46 affordable housing units on the second and third floors of the building. The applicant is requesting the loan at 2.5% interest over 30 years.

Mr. Benjamin Logue of LaPorte Properties was present to provide details and answer questions pertaining to the project.

Mr. Logue explained in detail the extensive rehabilitation involved in converting the Stratford Hotel Apartments into 46 affordable housing units with commercial space on the first floor and in the basement. Mr. Logue discussed the historic value of the property, his experience in renovating historic properties, and explained how he proposes to preserve the property as a vintage historic building to meet the goals of the Salt Lake Community Housing Plan. Mr. Logue said the rehabilitation will be substantial that will extend the lifespan of the building and be an obvious value to the neighborhood and community.

Mr. Logue said that in the sources of funding, they will use State and Federal Historic Tax Credits and solar credits, as they are installing solar panels as part of the rehab. Mr. Logue said the solar will benefit the tenants by reducing their monthly utility bills. The Board was in favor for the solar panels. Mr. Logue discussed rents for the units stating that the tenants will benefit as the rents will not increase above the stated AMI over the next 99 years. Mr. Logue said that the HTF loan will be repaid from rental income.

A lengthy discussion followed in regard to the total project costs. The Board inquired about the overhead funding and developer fee. Mr. Logue explained that there will be overrun costs for this kind of building as costs increase all the time, and that the project generally ends up consuming most of his developer fee. The Board asked Mr. Logue that if the requested funding is not approved would the project be able to be accomplished. Mr. Logue replied no, that the project would have to be withdrawn and explained that all of the other funding for the project had been approved. LuAnn Clark said that as part of the loan condition to receive Olene Walker funding, a match in funds from a local jurisdiction is required. Ms. Clark also explained that hard-to-develop rehab projects, developer fees are awarded at a higher percentage than those for new construction projects.

Developer fee, cash flow and repayment of the loan were discussed in detail. Mr. Logue acknowledged that the project is complicated and risky but he is confident that the preservation and rehabilitation of the Stratford Hotel Apartments will benefit the City and its citizens.

Karen Cahoon motioned to approve the loan request for \$223,079.00 loan at 2.5% for 30 years. Cara Lingstuyt seconded the motion. A discussion of the motion included the potential need for a loan

repayment deferral until rental income would be available to repay the loan. Karen Cahoon and Cara Lingstuyl accepted an amendment to the motion and the second relative to the repayment deferral. The Board unanimously approved the request subject to the City's funds being provided near the end of the construction period with repayments on the loan being deferred until six months after the final release of funds so that rental income would be available.

Revisit HOME Investments Partnerships Program in order to make funding recommendations for an additional \$370,000.00 that will be recaptured from program income.

LuAnn Clark said that there was an additional \$370,000.00 in program income available to be reallocated to the requests for HOME funds.

A lengthy discussion followed on the distribution of the program income funds. Peter Morgan motioned to approve the following funding. Cara Lingstuyl seconded the motion. All voted "Aye." The motion passed.

- 1) Salt Lake Community Action Program application requesting \$70,000 to provide tenant rental assistance and supportive services to homeless, special needs and other at-risk populations in order to transition them into permanent housing. They anticipate providing services to 150 people. Approved funding \$70,000.
- 2) Salt Lake Community Development Corp. application requesting \$175,000 to provide a loan/grant for 35 to 75 low/mod first time home buyers for down payment assistance or closing costs. Approved funding \$175,000.
- 3) Salt Lake Community Development Corp. application requesting \$125,000 for acquisition, new construction or rehabilitation of one property in order to provide affordable housing for one low or moderate income household. Approved funding \$125,000.
- 4) Salt Lake City Housing & Neighborhood Development application requesting \$570,000 for homeowner rehabilitation, First Time Home Buyer Assistance, and financial services programs. Approved funding \$570,000.
- 5) Neighborhood Housing Services application requesting \$510,000 to acquire boarded and/or vacant properties in Glendale, Poplar Grove, Fairpark, Westpointe, Rosepark, Jordan Meadows and West Capitol Hill neighborhoods and develop them into affordable housing. They anticipate providing services to 300 people. Approved funding \$456,172.
- 6) The Road Home application requesting \$75,000 to provide tenant based rental assistance and supportive services to homeless, special needs and other at-risk populations in order to transition them into permanent housing. They anticipate servicing 40 households. Approved funding \$75,000.
- 7) TURN Community Services application requesting \$3,200 for building improvements to the Wolfe Cove Home for persons with disabilities. Approved funding \$3,200.
- 8) TURN Community Services application requesting \$19,800 for building improvements to the Sugar House Duplex for persons with disabilities. Approved funding \$19,800.
- 9) TURN Community Services application requesting \$16,950 for building improvements to the Avenues Duplex for persons with disabilities. Approved funding \$16,950.
- 10) TURN Community Services application requesting \$21,800 for building improvements to the Kensington Duplex for persons with disabilities. Approved funding \$21,800.

- 11) Salt Lake Housing & Neighborhood Development application requesting \$129,214 for administration costs to support the HOME program (10% of total HOME allocation).
Approved funding \$129,214.

Schedule next meeting

The next HTF Advisory Board meeting is scheduled for Thursday, March 16, 2006.

There being no further business, the meeting adjourned at 1:07 p.m.