
SALT LAKE CITY COUNCIL STAFF REPORT

DATE: March 6, 2009

SUBJECT: Ben Logue, representative for Raasay Properties, LLC, request for a loan from the Salt Lake City Redevelopment Agency Housing Trust Fund for major renovation of the Smith Apartment project at 228 South 300 East and 682-688 East 700 South

AFFECTED COUNCIL DISTRICTS: Council District 4

STAFF REPORT BY: Janice Jardine, Land Use Policy Analyst

ADMINISTRATIVE DEPT. AND CONTACT PERSON: Community Development Department, Housing and Neighborhood Development Division
LuAnn Clark, Director

KEY ELEMENTS:

- A. A resolution has been prepared for Council consideration that would authorize the Mayor to sign loan agreement documents to provide a loan to Raasay Properties, LLC from the City's Redevelopment Agency Housing Trust Fund in the amount of \$152,000 with a two percent interest rate for thirty years. This would provide financial assistance for a major renovation of the Smith Apartment Project consisting of three buildings located at 228 South 300 East and 682-688 East 700 South.
- B. Key points from the Administration's transmittal notes:
1. The Smith Apartments include three buildings with a total of 38 apartment units constructed in the early 1900s. The applicant has noted that this is an existing tax credit project that was partially renovated 15 years ago.
 - a. The building located at 228 South 300 East contains 9 two-bedroom apartments and 13 three-bedroom apartments.
 - b. The two buildings located at 682-688 East 700 South contain 10 studio apartments and 6 one-bedroom apartments.
 2. The rent structure for the apartments includes:

<u>AMI Targets</u>	<u># of Units</u>	<u>Unit Type</u>	<u>Rents</u>
25%	5	Studio	\$285
30%	5	Studio	\$343
35%	6	one-bedroom units	\$367
35%	9	two-bedroom units	\$515
35%	13	three-bedroom units	\$594

3. Renovation of the building 228 South 300 East will be separated into two phases allowing tenants to transfer to other units within the building during construction. Tenants in the buildings at 682-688 East 700 South will be transferred to other units managed by the applicant during construction.

4. The proposed construction will include complete renovation of the three buildings including preservation of the historic architectural integrity of the buildings. The project will meet Energy Star standards and the applicant has agreed to seek LEED certification for the buildings.
- C. Total construction costs are estimated at approximately \$6.7 million. Funding from the City will be leveraged with federal low-income housing tax credit funds, federal and state historic tax credits, funding from the State's Olene Walker Housing Loan Fund and Salt Lake County's lead grant program. The City's contribution represents 2.3% of the total project budget. A breakdown of funding sources and uses includes:

SOURCES OF FUNDS - Permanent Financing:

Equity-Fed. LIHTC	Key CDC	\$4,774,503
1st Mortgage	Olene Walker	475,472
2nd Mortgage	SLC HTF	152,000
Other	Federal Historic Credit	1,134,184
Other	State Historic Credit	109,349
Other	Rocky Mt. Power Rebates	20,000
Other	Salt Lake County Lead Grants	66,000
Other	Deferred Developer Fee	20,000
	TOTAL	\$6,751,508

USES OF FUNDS

Land/Building Acquisition Costs	\$ 584,580
Rehabilitation/Construction Costs	3,704,362
Site Work, A/E, Permit and Other Fees	826,420
Contingency	364,447
Profit and Overhead	674,420
Interim Financing Expenses	386,741
Permanent Financing Expenses	27,000
Soft Costs	49,458
Syndication Costs	49,080
Project Reserves	85,000
	TOTAL
	\$6,751,508

- D. The City currently has \$4,516,000 in the Housing Trust Fund and \$1,848,000 in the RDA Housing Trust Fund. Funding this project from the RDA Housing Trust Fund would leave a fund balance of **\$1,696,000**.
- E. Total interest paid for the proposed loan amount of \$152,000 at a 2% interest rate over the 30-year life of the loan would be **\$51,604**.
- F. On February 19, 2009, the Housing Trust Fund Advisory Board voted to recommend approval of the loan request with a 2% interest rate rather than the 1% interest rate requested by the applicant. The Board determined that the applicant's debt coverage ratio is able to handle the increased interest rate and that the 2% interest rate is more in line with the rate the city is currently receiving. The Council may wish to note that the typical interest rate charged on Housing Trust Fund loans is 3% although, the Council has approved lower rates for projects that meet specific housing goals. The proposed renovation of the Smith Apartments would meet the City's housing goals that relate to preservation and rehabilitation of existing affordable housing that meet the housing needs of all individuals employed by and working or living within the City

- G. On February 27, 2009, Mayor Becker reviewed the request and recommended approval of the loan amount at a 2% interest rate for 30 years, consistent with the recommendation from the Housing Trust Fund Advisory Board.

OPTIONS:

The following options have been identified for Council consideration.

1. Forward the resolution to the next Council Meeting for consideration.
2. Request additional information.

MASTER PLAN AND POLICY CONSIDERATIONS:

- A. The Administrative staff evaluation of the application contained in the Administration's transmittal notes that the project "meets the following new housing policies currently being reviewed by the City Council." At the time this transmittal was prepared, Administrative staff believed that the new housing policy had been transmitted to the Council for review. After clarifying with Administrative staff, it is Council staff's understanding that the new Housing Policy transmittal should be transmitted to the Council at a future date.
- B. The City's adopted Comprehensive Housing Plan policy statements address a variety of housing issues including quality design, architectural designs compatible with neighborhoods, public and neighborhood participation and interaction, accommodating different types and intensities of residential developments, transit-oriented development, encouraging mixed-income and mixed-use developments, housing preservation, rehabilitation and replacement, zoning policies and programs that preserve housing opportunities. Relevant policy statements include:
1. **Affordable and Transitional Housing**
The City Council supports:
 - a. Salt Lake City residents having access to housing that does not consume more than 30 percent of their gross income.
 - b. The analysis of the impacts of fees and current zoning on affordable housing.
 - c. The type of business growth that is compatible with affordable housing needs in the City.
 - d. Development of programs to meet the housing needs of all individuals employed by and working or living within Salt Lake City.
 - e. Policies and programs that encourage home ownership without jeopardizing an adequate supply of affordable rental housing.
 - f. The dispersal of affordable and transitional housing Citywide and valley-wide. In particular, the Council supports the establishment of smaller transitional housing programs, with a minimum of one four-plex per Council District.
 - g. The citywide development of single room occupancy housing (SROs).
 - h. The City providing examples of how affordable housing can be built, offering incentives for innovative projects that developers may not initially be willing to undertake and serving as a facilitator/partner to maximize housing opportunities.
 2. **Citywide Cross Section of Housing**
The City Council supports:
 - a. A citywide variety of residential housing units, including affordable housing.
 - b. Accommodating different types and intensities of residential development.

3. **Housing Stock Preservation, Rehabilitation and Replacement**

The City Council advocates:

- a. Policies and programs that preserve or replace the City's housing stock including, the requirement of, at a minimum, a unit-for-unit replacement or a monetary contribution by developers to the City's Housing Trust Fund in lieu of replacement.
- b. The City promoting housing safety and quality through adequately funding by fees the City's apartment inspection program and programs that assist home and apartment owners in rehabilitating and maintaining housing units.

4. **Funding Mechanisms**

The City Council supports:

- a. Increasing the housing stock via public-nonprofit and/or for profit partnerships.
 - b. Establishing a public document that outlines annual sources and uses of funds for housing and housing programs.
 - c. Maximizing public reviews and input relating to use of City housing monies.
- C. Salt Lake City Code, Chapter 18.95 - Use of LEED Standards (Leadership in Energy and Environmental Design) in City Funded Construction, requires that all construction built with City funds meet a LEED Certified level at a minimum. The purpose of Chapter 18.95 is to promote development consistent with sound environmental practices by requiring that applicable building projects constructed with city construction funds obtain, at a minimum: a) "silver" for city owned and operated buildings, or b) "certified" for private building projects that receive city funds. These designations shall be from the "USGBC" (U.S. Green Building Council). The project will meet Energy Star standards and the applicant has agreed to seek LEED certification for the buildings.
- D. The property at 228 South 300 East is zoned Residential Mixed Use (RMU). The purpose of the R-MU residential/mixed use district is to reinforce the residential character of the area and encourage the development of areas as high density residential urban neighborhoods containing supportive retail, service commercial, and small scale office uses. The design guidelines are intended to facilitate the creation of a walkable urban neighborhood with an emphasis on pedestrian scale activity while acknowledging the need for transit and automobile access.
- E. The property located at 662-668 East 700 South is zoned Moderate Density Multi-Family Residential RMF-35. The purpose of the RMF-35 zoning district is to provide an environment suitable for a variety of moderate density housing types, including multi-family dwellings.
- F. The Central Community Master provides the following policies and goals relating to residential land uses, historic preservation and urban design.
1. Residential Land Use Goals
 - a. Encourage the creation and maintenance of a variety of housing opportunities that meet social needs and income levels of a diverse population.
 - b. Ensure preservation of low-density residential neighborhoods.
 - c. Ensure that new development is compatible with existing neighborhoods in terms of scale, character, and density.
 - d. Encourage a variety of housing types for higher-density multi-family housing in appropriate areas such as East Downtown, the Central Business District, the Gateway area, and near downtown light rail stations to satisfy housing demand.
 - e. Discourage any compromise to the livability, charm, and safety of the neighborhoods or to the sense of a healthy community.

2. Historic Preservation Goals

- a. Preserve the community's architectural heritage, historically significant sites and historic neighborhoods.
- b. Ensure that development is compatible with the existing architectural character and scale of surrounding properties in historic districts.

3. Urban Design Goals

- a. Make the Central Community more attractive and livable by applying the best urban design practices.
- b. Implement visual and aesthetic standards for urban design that enhance the Central Community.
- c. Design public facilities that enhance the character of the community and encourage coordination, linkage, and balance between land uses.
- d. Encourage property improvements that are visually compatible with the surrounding neighborhood.

G. The Plan notes that The Plan notes that the Community Council has expressed continuing interest in the following concepts:

1. Ensure that public housing facilities are well maintained.
2. Strongly discourage the loss of existing public housing when funding incentives cease.
3. Support maintenance of affordable housing and preservation of federally funded housing after expiration of subsidies such as Section 8 project-based developments.
4. Prevent demolition of low density structures in higher density zoning classifications through renovation or conversion of existing of multi-dwelling housing structures.
5. Encourage additions and new residential construction that is compatible with existing architecture, scale, and neighborhood character and adjacent land uses.
6. Promote construction of a variety of housing options that are compatible with the character of the neighborhoods of the Central Community.

A. The East Downtown Neighborhood Plan purpose statement includes the following key points:

1. Stop the erosion of the residential character of the neighborhood;
2. Preserve and enhance the neighborhood's unique character and viability;
3. Suggest several actions to develop East Downtown as a high density residential neighborhood and create a vibrant, strong, integrated mixed use urban neighborhood.

H. The City's Strategic Plan and the Futures Commission Report express concepts such as maintaining a prominent sustainable city, ensuring the City is designed to the highest aesthetic standards and is pedestrian friendly, convenient, and inviting, but not at the expense of minimizing environmental stewardship or neighborhood vitality. The Plans emphasize placing a high priority on maintaining and developing new affordable residential housing in attractive, friendly, safe environments.

I. The City's 1990 Urban Design Element includes statements that emphasize preserving the City's image, neighborhood character and maintaining livability while being sensitive to social and economic realities. Policy concepts include:

1. Allow individual districts to develop in response to their unique characteristics within the overall urban design scheme for the city.
2. Ensure that land uses make a positive contribution to neighborhood improvement and stability.
3. Ensure that building restoration and new construction enhance district character.
4. Require private development efforts to be compatible with urban design policies of the city regardless of whether city financial assistance is provided.

5. Treat building height, scale and character as significant features of a district's image.
6. Ensure that features of building design such as color, detail, materials and scale are responsive to district character, neighboring buildings, and the pedestrian.

CHRONOLOGY:

The Administration's transmittal provides a chronology of events relating to the proposed housing loan request. Key dates are listed below. Please refer to the Administration's paperwork for details.

- December 2008 Application submitted to Housing & Neighborhood Development Division
- February 19, 2009 Housing Trust Fund Advisory Board meeting
- February 27, 2009 Mayor's review and recommendation

cc: David Everitt, Karen Hale, Lyn Creswell, Ed Rutan, Lynn Pace, Frank Gray, Mary De La Mare-Schafer, LuAnn Clark, Sandra Marler, Jennifer Bruno, City Council Liaisons, Mayors Liaisons

File Location: Community and Economic Development Dept., Housing and Neighborhood Development Division, Redevelopment Agency Housing Trust Fund loan, Mr. Ben Logue, Rassay Properties, LLC, Smith Apartment project, 228 South 300 East and 682-688 East 700 South

FRANK B. GRAY
DIRECTOR

SALT LAKE CITY CORPORATION

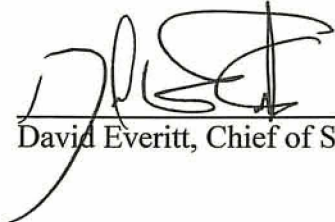
DEPARTMENT OF COMMUNITY & ECONOMIC DEVELOPMENT
OFFICE OF THE DIRECTOR

RALPH BECKER
MAYOR

MARY DE LA MARE-SCHAEFER
DEPUTY DIRECTOR

ROBERT FARRINGTON, JR.
DEPUTY DIRECTOR

CITY COUNCIL TRANSMITTAL


David Everitt, Chief of Staff

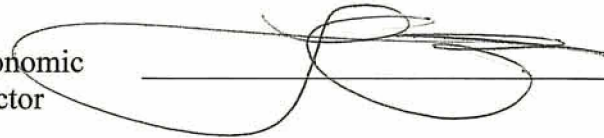
Date Received:



Date Sent to City Council: MARCH 11, 2009

TO: Salt Lake City Council
Jill Remington-Love, Chair

DATE: March 11, 2009

FROM: Frank Gray, Community & Economic
Development Department Director 

SUBJECT: Ben Logue, on behalf of Raasay Properties, LLC, requesting a loan in the amount of \$152,000 from the Salt Lake City Redevelopment Agency Housing Trust Fund for major renovation of the Smith Apartment Project consisting of three buildings located at 228 South 300 East and 682-688 East 700 South

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

ACTION REQUIRED: Adoption of a Resolution by the City Council

DOCUMENT TYPE: Resolution

BUDGET IMPACT: None

DISCUSSION:

Issue Origin:

Ben Logue, on behalf of Raasay Properties, LLC, is requesting a loan in the amount of \$152,000 at 1% interest over 30 years from the City's Redevelopment Agency Housing Trust Fund. The requested loan will be used for a major renovation of the Smith Apartment Project in Salt Lake City.

Analysis:

The first building, located at 228 South 300 East, contains 9 two-bedroom apartments and 13 three-bedroom apartments; the second and third buildings, located at 682 and 688 East 700

South, together contain 10 studio apartments and 6 one-bedroom apartments. Rents for the project will be affordable for very low-income tenants at 35% of area median income or less.

The entire project will be renovated to Energy Star standards, and the applicant has agreed to seek LEED certification for the project. The applicant met with the City Building Services Division staff to ensure the project will be in compliance with all LEED requirements.

It is anticipated the total construction costs of the project will be approximately \$6.7 million. The loan requested from the Redevelopment Agency Housing Trust Fund will be leveraged with federal low-income housing tax credit funds, federal historic tax credits, state historic tax credits, the State of Utah's Olene Walker Housing Loan Fund, and Salt Lake County's lead grants.

Recommendation:

A. Housing Trust Fund Advisory Board's Recommendation

The Housing Trust Fund Advisory Board voted to recommend approval of this loan request at 2% rather than the 1% interest rate requested by the applicant. The applicant's debt coverage ratio is able to handle the increased interest rate that is more in line with the interest rate Salt Lake City is currently receiving on its own funds. The term of the loan will be for 30 years.

B. Mayor's Recommendation

Mayor Becker reviewed this issue on February 27, 2009, and recommended approval of the loan request at 2% over 30 years.

The City currently has \$4,516,000 in the Housing Trust Fund and \$1,848,000 in the RDA Housing Trust Fund. Funding this project from the Housing Trust Fund account would leave a fund balance of \$1,696,000.

PUBLIC PROCESS:

The Housing Trust Fund Advisory Committee held a public meeting and reviewed this request on February 19, 2009.

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 A
Resolution

RESOLUTION NO. _____ OF 2009
AUTHORIZING A LOAN FROM
SALT LAKE CITY'S RDA HOUSING TRUST FUND
TO RAASAY PROPERTIES, LLC FOR
THE SMITH APARTMENT PROJECT

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

WHEREAS, Raasay Properties, LLC, has applied to the City for a \$152,000.00 loan at 2% over thirty (30) years for the purpose of rehabilitating the Smith Apartment Project consisting of three buildings located at 228 South 300 East and 682-688 East 700 South.

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 Raasay Properties, LLC, from the City's Redevelopment Agency Housing Trust Fund for \$152,000.00, with a two percent (2%) annual interest rate over thirty (30) years.

2. Raasay Properties will use the loan funds for a major renovation of the Smith Apartment Project consisting of three buildings located at 228 South 300 East and 682-688 East 700 South in Salt Lake City.

3. Ralph Becker, 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.

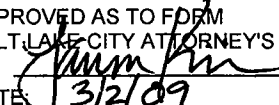
Passed by the City Council of Salt Lake City, Utah, this _____ day of _____, 2009.

SALT LAKE CITY COUNCIL

By: _____
CHAIR

ATTEST:

CITY RECORDER

APPROVED AS TO FORM
SALT LAKE CITY ATTORNEY'S OFFICE
BY: 
DATE: 3/2/09

ATTACHMENT B
Staff Evaluation

**EVALUATION
SALT LAKE CITY HOUSING TRUST FUND**

Name of Organization: Raasay Properties, LLC

Name of Project: Smith Apartment Project

Location of Project: 228 South 300 East
682-688 East 700 South

Project Description:

The Smith Apartments is comprised of three buildings constructed in the early 1900s consisting of a total of 38 apartment units. The building located at 228 South 300 East contains 9 two-bedroom apartments and 13 three-bedroom apartments; the second and third buildings, located at 682 and 688 East 700 South contain 10 studio apartments and 6 one-bedroom apartments. Rents for the project will be as follows:

<u>AMI Targets</u>	<u># of Units</u>	<u>Unit Type</u>	<u>Rents</u>
25%	5	Studio	\$285
30%	5	Studio	\$343
35%	6	one-bedroom units	\$367
35%	9	two-bedroom units	\$515
35%	13	three-bedroom units	\$594

Amount and terms requested: \$152,000 at 1% over 30 years

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

Are the funds leveraged with non-government dollars? Yes

SOURCES OF FUNDS - Permanent Financing:

Equity-Fed. LIHTC	Key CDC	\$4,774,503
1st Mortgage	Olene Walker	475,472
2nd Mortgage	SLC HTF	152,000
Other	Federal Historic Credit	1,134,184
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USES OF FUNDS

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Soft Costs	49,458
Syndication Costs	49,080
Project Reserves	85,000
TOTAL	<u>\$6,751,508</u>

Costs per unit (provide total project cost per unit and rehab only cost per unit)

Rehab cost per unit: \$107,074 Total construct cost per unit: \$177,671

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

Repayments will be made from rental income.

Does the project have demonstrated community support?

Not applicable since the project is a rehab project.

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.

Does the project meet requirements of LEED Standards in City Funded Construction (Chapter 18.95 adopted in 2006)?

Housing Policies and Preferred Housing Criteria for City-funded Projects

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

- That all SLC residents should have access to decent, safe and affordable housing.
- Preservation and rehabilitation of existing housing stock, historic preservation and downtown housing development.

- 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.

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.

This project includes 13 units containing three bedrooms, providing housing opportunities for larger families. Set-aside units include 5 units for persons with HIV/AIDS, 5 units for developmentally disabled persons, and 5 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 all three buildings.

Project Weaknesses:

The interest rate the applicant is requesting is only 1%.

Board Options

Approve applicant's loan as requested

Approve the applicant's loan at a higher interest rate

Deny applicant's loan request

ATTACHMENT C
February 19, 2009 Minutes

HOUSING TRUST FUND ADVISORY BOARD

Meeting of February 19, 2009

The following board members were in attendance: Curtis Anderson, Paula Carl, Joe Gallegos, Rick Knuth, Kent Moore, Elly Muth, Faina Raik and Shawn Teigen. Staff members in attendance were LuAnn Clark, Director of Housing and Neighborhood Development, Sandi Marler, CD Programs Administrator, and Jan Davis, Administrative Secretary.

Chairperson Kent Moore called the meeting to order at 12:15 p.m.

The Board unanimously motioned to approve the December 15th minutes.

Consider a request from Ben Logue, on behalf of Raasay Properties, LLC, for a \$152,000 loan from the Housing Trust Fund at 1% over thirty years for renovation of the Smith Apartment Project located at 228 South 300 East and 682-688 East 700 South in Salt Lake City.

Mr. Ben Logue, Managing Member of Raasay Properties was present to provide details and answer questions pertaining to the request.

Mr. Logue provided a brief history of the project. Mr. Logue stated that this is an existing tax credit project that was partially renovated 15 years ago and he intends to do a full rehabilitation. Mr. Logue outlined the structural renovation and how the project will be upgraded to present-day building regulations and how it will qualify for energy-star designation. Mr. Logue said that the project will be renovated to the original historic look. Mr. Logue said that they have applied for and have received tax credits from Key Bank.

The Board asked for clarification on the construction cost per unit. A short discussion followed in regard to construction costs. Mr. Logue explained Green and LEED new construction and that this construction will be funded from tax credits. Mr. Logue said that the renovation is an investment in the community to improve housing for existing and future residents and provide much needed high quality housing to low income individuals and families.

The Board asked about existing loans Mr. Logue has with the City. Ms. LuAnn Clark indicated that Mr. Logue has several loans with the City and that all of those loans are current and all requirements are met in a timely manner.

The Board asked how the construction will impact the current residents. Mr. Logue said that at the time of construction at 682-688 East 700 South building, the tenants will be transferred to other units they manage. The tenants at 228 South 300 East will be able to transfer within the building as the building can be divided into two segments during the renovation. Mr. Logue said that the tenants have been notified and are aware of the renovation. Mr. Logue stated that they will handle the transfer for all the tenants.

The Board discussed a higher interest rate than the requested 1% and agreed that the loan should be at a higher percentage rate in order to at least break even with what the City is getting on its money. The interest rate the City earned during the last half of 2008 ranged between 2.3% to 2.8%.

Elly Muth motioned to approve the loan request for \$152,000 at 2.3% over thirty years. Paula Carl seconded the motion. Curtis Anderson requested an amendment to the motion to approve the loan request for \$152,000 at 2% over thirty years. Ms. Muth and Ms. Carl accepted the amendment to the motion and the second. All voted "Aye" with the exception of Shawn Teigen who opposed. The motion passed.

ATTACHMENT D
Loan Application

Funding Application

Salt Lake City Housing Trust Fund

Smith Apartments

228 South 300 East &
682-688 East 700 South
Salt Lake City, Utah 84111

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

Project Name: Smith Apartments

Applicant/Organization: Raasay Properties, LLC

Mailing Address: 2505 South State Street

Salt Lake City, Utah 84115

Contact Person: Ben Logue

Phone Number: (801) 484-4775

Fax Number: (801) 484-4776

E-mail: benlogue@aol.com

Federal Employee Identification Number 26-3088358

Project Name: Smith Apartments

Project Location: 228 South 300 East, and 682-688 East 700 South, Salt Lake City,
Utah 84111

Amount Requested: \$ 152,000

Terms Requested: 360 months at 1%

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 Smith Apartments consists of three buildings. The first building is a three-story brick-and-timber structure located at 228 South 300 East in Salt Lake City and contains 9 two-bedroom apartments and 13 three-bedroom apartments. The second and third buildings are two-story brick-and-timber structures located at 682 and 688 East 700 South also in Salt Lake City. These buildings contain 10 studio apartments and 6 one-bedroom apartments.

All three buildings will be upgraded in accordance with present-day building regulations. Fire sprinklers will be installed in all spaces. The entire building will be properly insulated and new "low-E" windows will be installed so that the property will qualify for "Energy-Star" designation. Solar electrical collectors will be installed to reduce electrical consumption and carbon emissions. Each unit will have central air conditioning and heating.

Generally, the property was constructed within industry standards current in 1900/1910. Our intention is to enter into an intensive program of rehabilitation during 2009 with the goal of performing a major renovation of the entire property. We have attached a Scope of Work to support this.

ADA Compliance

Generally, Title III of the Americans with Disabilities Act (ADA) prohibits discrimination by entities to access and use of "areas of public accommodations" and "commercial facilities" on the basis of disability. Regardless of the age of the property, these areas and facilities must be maintained and operated to comply with the Americans with Disabilities Act Accessibility Guidelines (ADAAG).

Buildings completed and occupied after January 26, 1992, are required to fully comply with ADAAG. Existing facilities constructed prior to this date are held to the lesser standard of compliance, to the extent allowed by structural feasibility and the financial resources available, or a reasonable accommodation must be made.

At a multi-family type property such as this where there is no rental office or common area made available to individuals other than residents and their guests, there is no area of public accommodation.

The facility generally appears to be in compliance with defined priorities of Title III of the Americans with Disabilities Act.

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. This property will provide much needed, state-of-the-art, high quality housing to low and very-low income individuals and families. As stated in Salt Lake City's Consolidated Plan (2005-2010), housing this population is a top priority:

"Subsidized housing for the very-low income is one of the City's most urgent housing needs. In an effort to meet the City's priority housing needs, Salt Lake City will commit to strengthen its partnerships with local nonprofit organizations and housing developers in order to assist in funding those projects/programs that will help address the housing needs of the City's lower income residents."
(Salt Lake City 2005-2010 Consolidated Plan, p.11)

3. What is the property zoned?

228 South 300 East is zoned R-MU. 662-668 East 700 South is zoned RMF-30.

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.

Not Applicable

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.

Gross rent will be \$285 for 5 studio/1 bathroom apartments at 25% AMI.
Gross rent will be \$343 for 5 studio/1 bathroom apartments at 30% AMI.
Gross rent will be \$367 for 6 one-bedroom/1 bathroom apartments at 30% AMI.
Gross rent will be \$515 for 9 two-bedroom/1 bathroom apartments at 35% AMI.
Gross rent will be \$594 for 13 3 bedroom/ 1 bathroom apartments at 35% AMI

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

In the event that this project does not qualify for the requested funding, we will not be in a position to carry out our stated program for this property. Since qualification for this funding is one of the contingencies provided for in our purchase contract, we will not exercise our option to close on this property should we not qualify for funding. We will thus have to abandon the project.

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

We have allocated a portion of these funds for renovation and construction.

8. Are there tenants currently living in the project? Will they be able to remain in the project once it has been completed? Please explain how the tenants will be affected by the project and the steps you have taken with their issues.

Tenants currently reside in all three buildings. Tenants of the Smith South buildings (682-688 East 700 South) will be transferred to comparable units managed by LaPorte. The transfer of the tenants allows for more rapid renovation of the buildings and more comfortable environment for the tenants.

The tenants of Smith North (228 South 300 East) will transfer within the building. This building is U-shaped and renovations may, thus, take place in two parts. We prefer to transfer these tenants internally as we would not be able to offer comparably sized units at any of our other properties. This solution would best meet the needs of the tenants in terms of apartment size. Since the building is easily divided into two segments for renovation purposes, tenants will be minimally impacted by the renovation process.

LaPorte management will maintain an active presence throughout the renovation process and will redress tenants' concerns as they arise.

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.**

Permanent Sources of Funding/Post Construction:

	Source	Amount
Equity (Fed. LIHTC)	<u>Key CDC</u>	<u>\$ 4,774,503</u>
1 st Mortgage	<u>Olene Walker</u>	<u>\$ 475,472</u>
2 nd Mortgage	<u>Salt Lake City Corp.</u>	<u>\$ 152,000</u>
Other	<u>Federal Historic</u>	<u>\$ 1,134,184</u>
Other	<u>State Historic</u>	<u>\$ 109,349</u>
Other	<u>Rocky MP Rebates</u>	<u>\$ 20,000</u>
Other	<u>Salt Lake City lead grants</u>	<u>\$ 66,000</u>
Other	<u>Deferred Dev. Fee</u>	<u>\$ 20,000</u>
Total Sources	<u></u>	<u>\$ 6,751,508</u>

- 1a. Ratio of Salt Lake City Trust Funding to total funding: 0.02251 : 1

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/Building Acquisition Cost	<u>\$ 584,580</u>
Rehabilitation/Construction Cost	<u>\$ 3,704,362</u>
Site Work, A/E, Permit and other fees	<u>\$ 826,420</u>
Contingency	<u>\$ 364,447</u>
Profit & Overhead	<u>\$ 674,420</u>
Interim Financing Expenses	<u>\$ 386,741</u>
Permanent Financing Expenses	<u>\$ 27,000</u>
Soft Costs	<u>\$ 49,458</u>
Syndication Costs	<u>\$ 49,080</u>
Project Reserves	<u>\$ 85,000</u>
	<u>\$ 6,751,508</u>

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

\$ 6,751,508

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.

Please see 15-year proforma on next page.

Smith Apartments
Salt Lake City
PROJECT PROFORMA

PROJECT OPERATING PROFORMA																			
	Units	Ann. Incr.	Per Mo.	Yr. 1	Yr. 2	Yr. 3	Yr. 4	Yr. 5	Yr. 6	Yr. 7	Yr. 8	Yr. 9	Yr. 10	Yr. 11	Yr. 12	Yr. 13	Yr. 14	Yr. 15	
Affordable Units	38	2.00%	15,459	185,507	189,217	193,001	196,862	200,799	204,815	208,911	213,089	217,351	221,698	226,132	230,655	235,268	239,973	244,773	
Market Rate Units	0	0.00%	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Other Income	20	0.00%	780	9,120	9,120	9,120	9,120	9,120	9,120	9,120	9,120	9,120	9,120	9,120	9,120	9,120	9,120	9,120	
Federal Operating Subsidies		0.00%	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Vacancy Rate		7.0%	(1,135)	(13,624)	(13,894)	(14,149)	(14,419)	(14,694)	(14,975)	(15,262)	(15,555)	(15,853)	(16,157)	(16,468)	(16,784)	(17,107)	(17,437)	(17,772)	
TOTAL OPERATING INCOME			15,084	181,003	184,454	187,973	191,563	195,224	198,959	202,769	206,655	210,618	214,661	218,784	222,990	227,281	231,657	236,120	
		Ann. incr.																	
TOTAL OPERATING EXPENSES		\$ 3,315	3%	10,497	125,960	129,739	133,631	137,640	141,769	146,022	150,403	154,915	159,562	164,349	169,280	174,358	179,589	184,977	190,526
NET INCOME FROM OPERATIONS				4,587	55,043	54,715	54,342	53,923	53,455	52,937	52,366	51,740	51,056	50,312	49,505	48,632	47,692	46,680	45,594
Capitol Replacement	\$ 400		1,267	15,200	15,200	15,200	15,200	15,200	15,200	15,200	15,200	15,200	15,200	15,200	15,200	15,200	15,200	15,200	15,200
CUMULATIVE RESERVES				15,200	30,400	45,600	60,800	76,000	91,200	106,400	121,600	136,800	152,000	167,200	182,400	197,600	212,800	228,000	
NET CASH FLOW FROM PROJECT				3,320	39,843	39,515	39,142	38,723	38,255	37,737	37,166	36,540	35,856	35,112	34,305	33,432	32,492	31,480	30,394

COVERAGE RATIO ANALYSIS		Per Mo.	Yr. 1	Yr. 2	Yr. 3	Yr. 4	Yr. 5	Yr. 6	Yr. 7	Yr. 8	Yr. 9	Yr. 10	Yr. 11	Yr. 12	Yr. 13	Yr. 14	Yr. 15		
	Income Available to service LIENS	3,320	39,843	39,515	39,142	38,723	38,255	37,737	37,166	36,540	35,856	35,112	34,305	33,432	32,492	31,480	30,394		
	Debt Service Expense FIRST MTGE	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0		
	NOI after First Mgt	3,320	39,843	39,515	39,142	38,723	38,255	37,737	37,166	36,540	35,856	35,112	34,305	33,432	32,492	31,480	30,394		
	COVERAGE RATIO ON FIRST LIEN MTGE	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00		
Subordinate Loans:		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0		
		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0		
		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0		
	Deferred Developer's Fee	175	2,102	2,102	2,102	2,102	2,102	2,102	2,102	2,102	2,102	2,102	2,102	2,102	2,102	2,102	2,102		
	Salt Lake City	489	5,867	5,867	5,867	5,867	5,867	5,867	5,867	5,867	5,867	5,867	5,867	5,867	5,867	5,867	5,867		
	Local Funds	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0		
	Local Funds	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0		
	Olene Walker Hsg. Loan Fund	1,321	15,849	15,849	15,849	15,849	15,849	15,849	15,849	15,849	15,849	15,849	15,849	15,849	15,849	15,849	15,849		
		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0		
	Debt Service All Mgt	1,985	23,818	23,818	23,818	23,818	23,818	23,818	23,818	23,818	23,818	23,818	23,818	23,818	23,818	23,818	23,818		
	Before Tax NI	1,335	16,025	15,696	15,324	14,905	14,437	13,919	13,348	12,721	12,037	11,293	10,486	9,614	8,673	7,662	6,576		
		COVERAGE RATIO ON ALL LOANS	1.873	1.87	1.88	1.84	1.83	1.81	1.80	1.78	1.73	1.69	1.64	1.58	1.49	1.38	1.22	1.08	
			\$	422 Net Income per unit															

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

Rental Income

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

The building, rental income, and property owned by the entity.

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.

- a. Low-Income Housing Tax Credits, Awarded
- b. Olene Walker Funds, Applied for

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 acquisition will be funded by the Key CDC 20% LIHTC equity payment (\$954,996) upon closing of the project.

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

An appraisal of the property has been ordered. Until that is received, please see the market study included in the LIHTC application.

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

Ninety Nine Years

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:

Raasay Properties, LLC

☐ 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): _____

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

April 14, 2008

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.

Raasay Management Group, LLC, Managing Member, Raasay Properties, LLC
Benjamin Logue, Member, Raasay Properties, LLC

4. Who will manage the property once it has been acquired?
La Porte Management, Inc.
5. Please provide a brief description of your organization.
See attached Management Plan
6. Who will be responsible for this project?
Benjamin Logue
7. Please provide examples of experience your organization has with this type of project.
See overview and completed project list

Current Ownership Information
Part IV

1. Who is the current owner of the property?

Affordable Housing Solutions

2. Who is the current manager of the property?

LaPorte Management

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.

Board Members of Affordable Housing Solutions:

1. Douglas F. Bennett—Vice-President of Liberty Mutual—Corporate Legal
2. James A. Wood – Director of Bureau of Economic Business & Economic Development, University of Utah
3. Jessica Norie -- President of ArtSpace

Certification

I (we) Benjamin Logue certify that this Applicant Disclosure of Ownership and Control is true and correct to the best of my (our) knowledge and belief.



Signature

Signature

Managing Member

Title

2505 South State Street
Salt Lake City, Utah 84115

Address and Zip Code

Title

Address and Zip Code

Date: December 16, 2008

Date: _____

PREPARATION OF LOAN DOCUMENTS

Applicant understands and agrees with Salt Lake City Corporation's policy that all loan documents required from Salt Lake City Corporation, necessary for closing of the loan, will be processed and signed two weeks prior to the loan closing date and that no changes to those loan documents and/or requests for additional documents and/or letters requiring the Mayor's signature will be made during the two week period prior to the loan closing.

Signature

Signature

Managing Member

Title

Title

December 16, 2008

Date

Date

ACCESS TO TAX CREDIT APPLICATION INFORMATION

Applicant agrees to grant Salt Lake City Housing and Neighborhood Development permission to access information contained in their Low-Income Housing Tax Credit Application filed with the Utah Housing Corporation and/or any Private Activity Bond applications.

Signature

Signature

Managing Member

Title

Title

December 16, 2008

Date

Date

NOTE: PLEASE PROVIDE FOURTEEN (14) COPIES OF YOUR ENTIRE APPLICATION AT THE TIME THE APPLICATION IS SUBMITTED AND ONE (1) COPY OF YOUR TAX CREDIT APPLICATION and APPRAISAL.

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Signature

Managing Member

Title

Title

December 16, 2008

Date

Date

NOTE: PLEASE PROVIDE FOURTEEN (14) COPIES OF YOUR ENTIRE APPLICATION AT THE TIME THE APPLICATION IS SUBMITTED AND ONE (1) COPY OF YOUR TAX CREDIT APPLICATION and APPRAISAL.

Eligible Activities for Salt Lake City Housing Trust Funds

Part V

As set forth in Salt Lake Ordinance 78-00 of 2000, funds are provided to Salt Lake City's Housing Trust Fund to be used exclusively to assist with affordable and special needs housing in the City. Fund moneys may be used for:

1. Acquisition, leasing, rehabilitation, or new construction of housing units for ownership or rental, including transitional housing;
2. Emergency home repairs;
3. Retrofitting to provide access for persons with disabilities;
4. Down payment and closing cost assistance;
5. Construction and gap financing;
6. Land acquisition for affordable and special needs housing units
7. Technical assistance;
8. Other activities and expenses incurred that directly assist in providing affordable and special needs housing.

Fund moneys may not be used for administrative expenses.



Management Plan

La Porte Management, Inc.

2505 South State Street

Salt Lake City, Utah 84115

Phone (801) 484-4775 Fax (801) 484-4776

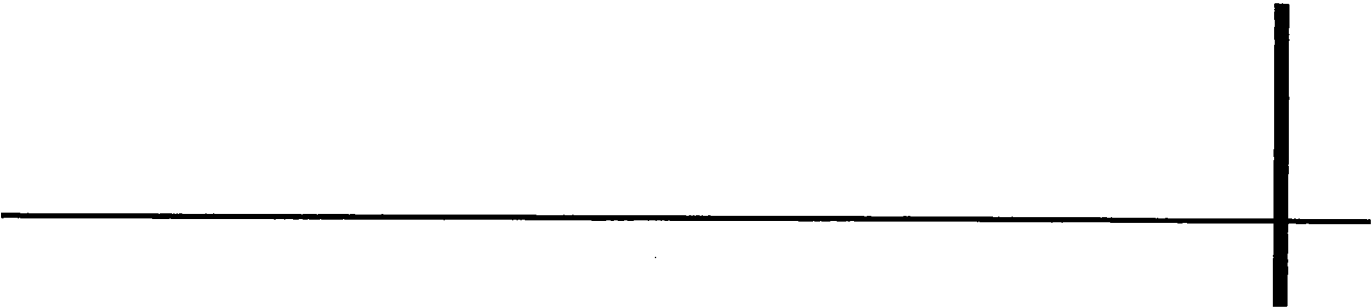


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1. Executive Summary

1.0 Executive Summary

La Porte Management, Inc. (La Porte) is a Utah-based property management company that will offer benchmarked rental units for the Salt Lake City, Utah community. La Porte's units will balance safety, cutting edge features, and a positive atmosphere for all tenants. These rentals will be provided with unmatched levels of customer service and attention. Sales are projected to be \$430,000 in year one growing to \$600,000 in year three.

The Market Strategy

La Porte will market to income restricted individuals and families living in Salt Lake, Weber, and Carbon counties. We will work with local housing agencies, service agencies as well as local governments to redress local need and provide charming, safe, and state-of-the-art housing to those in need.

Management Team

La Porte will be led by Lisa Logue and Tammy Taylor.

1.1 Objectives

1. Sales from \$350,000 in 2002 to 2,160,000 in 2004.

1.2 Mission

La Porte Management Inc. provides high-quality, comfortable and affordable rental units in Salt Lake City and other areas of Utah. La Porte apartment units offer state-of-the-art living conditions reflective of the rapid advancements in technology and a growing need for quality housing. Our company is dedicated to a hassle free living environment in which our tenants can enjoy all of the benefits of safe, attractive, and inviting units. Unlike many other management companies that are solely concerned with turning profits, our primary objective at La Porte is to maintain the highest level of customer satisfaction that is achievable. Tenant safety, happiness, and comfort are our main goals. La Porte maintains competitive market prices, while working toward expanding the number of units owned, and increasing total profits earned. Within the company we will strive to work as a cohesive, harmonious unit focused on exemplifying our mission. Just as customer satisfaction is an intricate part of La Porte's success, so is employee satisfaction. That is why the founders of La Porte Management Inc. believe that employee satisfaction will make the company a success and will be the key to their longevity.

Initial focus will be to buy and develop existing apartment complexes. We will modify and remodel the acquired real estate so as to meet La Porte standards and increase long-term assets and income. Housing units will predominantly be located in the downtown neighborhood targeting service personnel, families, special needs groups and professionals. La Porte fosters the ideals of the importance of tenant needs along with healthy and understanding relationships and a professional commitment to satisfaction.

1.3 Keys to Success

1. Safe, quality housing that provides state-of-the-art amenities at competitive prices.
2. Maintaining open communication between La Porte and its customers in order to ensure the highest level of customer satisfaction and long lasting reputation within the community.
3. To continue to expand the number of units owned and maintained, while also increasing the level of profits for both La Porte and tax investors.

2. Company Summary

2.0 Company Summary

La Porte Management Inc. is an enterprise that is involved in numerous aspects of the industry. Primary experience and expertise is in the development of high-quality, lower cost living for service personnel, families, special needs groups and professionals seeking the most up-to-date technologically advanced living environment. An area of intense training and attention is the importance of strong customer service.

The first property designed and built by the company was a 107-unit apartment building called Amberley Village located at 545 South 900 East in downtown Salt Lake City. It is relatively close to the University, it was easily rented to capacity nine months out of the year. It Was sold in 1999 for a \$500,000 profit.

2.1 Company Ownership

La Porte Management Inc. was created in 1994 as a sub-chapter S Corporation based out of Salt Lake City, Utah. It will be owned by its principal investors, Ben and Lisa Logue. Ben Logue is the acting CEO and holds a 60% stake in the company. Lisa Logue is the acting CFO and holds a 40% share of the company as well.

2.2 Company Locations and Facilities

La Porte headquarters will be established in our office space in the downtown area of Salt Lake City, Utah. This will be the heart of our company, with satellite locations in Ogden, Utah. We have a 24-hour answering service so that all customer or business communications are dealt with in an expedient and fluid manner. Within any living development with more than 75 units a representative of the company will be located.

The company is currently in the final stages of purchasing its 20th and 21st building, both are 30 units each. The Ashby and Ritz will be added to the Salt Lake City Portfolio.

3. Services

3.0 Services

La Porte offers on-site security cameras which are monitored daily. We also offer a 24/7 repair service. There will always be an open line of communication between the renters and the management call-in answering service.

3.1 Competitive Comparison

La Porte's competitive advantage is as follows:

1. We offer a higher level of quality in our units than the average unit downtown. This allows for those residents who do not want their living situations to inhibit their everyday lives, comfort or enjoyment of life.
2. Each unit will be wired with cable and phone.
3. Our marketing and advertising costs will be low due to simple marketing strategies. However, the owner's expertise in visual layout and communications will help create a unique and aesthetic product for the customer.
4. The main competition La Porte will encounter will be other tax credit apartment units.

3.2 Sales Literature

La Porte will have brochures available at all offices. These will give the customer a general outline of our units and will explain the benefits of our units. We will also have a monthly newsletter that we will send out to our clients. This newsletter will inform the clients as to the growth and outreach of La Porte. It will also contain some human interest stories about our complexes and the residents.

We will also advertise in the local newspapers including *The Salt Lake Tribune*, *Standard Examiner*, *Apartment Guide* and *For Rent*. Our marketing strategies are simple but aim to reach a large amount of people. The layout of our publications and advertisements will have a sophisticated and contemporary look without being overly formatted.

3.3 Fulfillment

1. La Porte's key fulfillment will be provided by management's dedication to a higher quality product. This is achieved through an affiliated company and a solid network of contractors, and cutting edge architects who are all dedicated to helping La Porte.
2. We will maintain a pool of professionals in which to pull from for our needed services. This will help us develop a rapport with our contractors as well maintaining our high expectations.

3.4 Technology

La Porte will have the most up-to-date technology provided both to the customers and to the subcontractors and other clients.

3.5 Future Services

La Porte is going green. We are starting to make all of our properties more energy efficient, by installing energy saving products. On our next two buildings we will be installing a solar power system that will help out greatly with tenant utility costs.

We are in the process of conducting surveys in order to determine the best possible markets for La Porte expansion.

4. Market Analysis Summary

4.0 Market Analysis Summary

La Porte's main consumer base will be primarily service personnel, families, special needs groups and professionals that will benefit from the apartment's unparalleled level of quality, location, and amenities. We will also be marketing to local housing authorities. These customers will be looking for safe, high-quality environments that can foster the type of atmosphere needed for a great quality of life.

4.1 Market Needs

Each of our targets need the quality, convenience, service, safety and comfort that can only be found at our living complexes.

1. The special needs segment needs a quiet safe atmosphere that fosters a quality living environment. They also need the convenience of location and on-site amenities.
2. The professional segment needs a living environment that separates them from the noisy, dirty inconvenience of average apartment living. Most professionals are on their way to home ownership or movement to a larger city, so they need housing that will let them feel like they are getting the quality that they need.
3. The service personnel segment also has similar needs. They need to feel separation from the noise and unkept conditions of most housing. They also need a place to feel safe and one that fosters convenience.

4.2 Market Trends

This industry is constantly evolving and leaving many inflexible companies stagnant. One of the major trends is the need to adapt to technological advancements as well as maintaining the overall appearance and condition of the complexes.

Another important trend is adapting to higher density housing in smaller areas due to urban growth boundaries, etc. La Porte is dedicated to following these trends while maintaining the level of comfortable livability that sets us apart from our competitors.

4.3 Market Growth

The market for high quality, reasonably priced apartment units has been growing at a rate of 2.7% since 1996. Utah's rental rates have remained even, averaging \$697, or \$.79 per square foot, during the fourth quarter of 2003. The Utah market is experiencing rapid employment growth that is fueling demand for apartments, but not many new units are emerging. Not only is La Porte pioneering this particular niche of affordable quality living, but it is capitalizing on the strength of the current economic growth in Utah.

5. Strategy and Implementation Summary

5.0 Strategy and Implementation Summary

La Porte will focus on the four previously mentioned market segments: service personnel, families, special needs groups and professionals.

Our target customer is usually looking for quality living facilities that foster a safe, enjoyable, and convenient environment.

5.1 Competitive Edge

We start with a critical competitive edge: there are very few apartment units that offer the same level of quality and amenities as La Porte's properties. We also have a very high regard for customer service; something that is unparalleled in this industry. La Porte believes it is essential that the customer feels he/she is being treated with the utmost care and urgency. All staff and personnel go through a training program that teaches many of the skills needed for successful client relations and customer service.

5.2 Marketing Strategy

Marketing in a highly competitive housing industry depends on the recognition of excellence, as well as a point of difference to display our units in an individualized light. La Porte will build a reputation upon these components.

We will develop and provide a living environment of unmatched proportion. It starts with the commitment to customer satisfaction and fulfilling their demands. Our commitment to quality and comfort includes safety and 24-hour customer service. The aspect of our living developments that differentiate La Porte from all other property management companies is our focus on maintaining the most advanced innovations on the market for our tenants.

5.2.1 Positioning Statement

For people who desire high-quality living with all the amenities available, only La Porte properties will be able to fulfill their needs and desires at an affordable price. Unlike most other property management companies, La Porte is committed to guaranteeing customers full satisfaction, with

24-hour on-staff service, live answering service, and a future website that handles all complaints instantly.

5.2.2 Pricing Strategy

La Porte's pricing will be competitive with what the market will bear. We are competing with large firms who have similar complexes. Our prices will be competitive with these larger firms while maintaining the high level of quality and expert management.

5.2.3 Promotion Strategy

La Porte's most successful promotion will come in the form of word of mouth. Since we will own real estate, we will be highly visible to the public. Since our complexes will be in the upper echelon of quality and livability, word will spread through the community about our unique appeal.

Along with word of mouth, our most consistent form of promotion will come from ads in local publications, specifically, *Salt Lake Tribune*, *Standard Examiner*, *Apartment Guide* and *For Rent*. We will also be personally promoting our product within the community.

5.2.4 Distribution Strategy

We will focus on providing high-quality living in convenient locations with a wide customer base. It is also important that we remain at the upper echelon in the quality range when compared to competitors. We can only do this by organizing and implementing a sound plan that will assume responsibility for the functionality and appearance of La Porte properties. We will have an future Web site for anyone interested in the properties.

5.2.5 Marketing Programs

Our most important marketing program is customer word of mouth. The only way to truly know the quality of our units is through experience; hence we must maintain the highest level of customer satisfaction. Rewards will be given to clients or customers that refer new clientele to the company. We confidently believe that the high level of quality that La Porte will provide can attract a strong demand for our units.

Another incentive that we will use is the early move-in bonus program. Anyone that signs their lease before June 15th will receive a free month. This will encourage people to try and beat the rush of people who move in later. It will also give the appearance of increased demand.

5.3 Sales Strategy

Sales in our business is based upon providing customers with a living concept fitting of their needs. We must be in touch with the needs and desires of our clientele in order to best attract a consistent flow of incoming residents.

5.3.1 Sales Programs

Our sale program will include sales awards for length of lease agreements, maintaining a full capacity status, and customer service awards for those who best exemplify La Porte's commitment to customers. We will also award existing customers for referring new clientele to the company.

5.4 Strategic Alliances

We depend on our alliance with contracting services to develop our housing units.

6. Management Summary

6.0 Management Summary

The initial management team depends on the founders themselves, with back-up assistance from the property management department of La Porte Management Inc. As we continue to grow, we will establish satellite offices in all of our living developments. It will also be necessary to take on additional help in the marketing and R & D sectors as growth continues.

6.1 Organizational Structure

La Porte depends on an organized division of responsibilities in order to run an efficient, diversified enterprise. Main decisions and responsibilities will be divided between the two top partners. They will focus on maintaining high quality and a cohesive business entity. Top division managers will be given specific responsibilities such as marketing, finance, strategic management, or research and development.

6.2 Management Team

La Porte is completely departmentalized. The main departments are finance, marketing, management, and research and development. Lisa Logue, co-owner of the company, assumes the responsibilities of the CFO, while her counterpart, Ben Logue, will be responsible for the duties of CEO. The company will make all decisions in accordance with the company mission. Employees are delegated tasks based upon their specialty.

Every six months, the two top partners will assess the results of these tasks, and the personality of the employee involved, to determine promotion and/or salary issues.

6.3 Management Team Gaps

The present team requires business development and administrative support. Most of the partners have been working in business environments where this kind of support was provided to them as part of a larger organization.

MSN will turn to Dynamic Public Relations to help create business development programs, such as speaking opportunities and magazine article insertions, as well as forums and seminars that are important to our ongoing development.

Regarding administration, we need a strong finance manager to guard cash flow. Our partners are not accustomed to the worries of cash flow, but they have the sense to listen to reason and deal with constraints if the finance manager provides the proper information.

7. Financial Plan

7.0 Financial Plan

We have grown mainly through cash flow. We recognize that this means we have to grow more slowly than we might like.

7.1 Projected Profit and Loss

The projected profit and loss for La Porte are: Sales have increased from about \$360,000 in 1999 to over \$2,160,000 in 2004. We show a net profit in 2004. We are projecting a gross margin of over 20% this year. This is an aggressive projection that will help our efforts to keep total cost of sales low while increasing gross margin. We will also have very low marketing costs, due to the public exposure to the units, and good word of mouth around the downtown area.

OVERVIEW

Our growing company is now fully engaged in the management and rehabilitation of approximately 500 affordable apartment units in Utah. Our original decision to enter the field of affordable housing was a sound one based on our plans for the growth of our business and our personal commitment to the preservation of our historic urban housing stock. We are now more than ever convinced of the soundness of the LIHTC program. Our wish and our goal is to whole-heartedly commit ourselves to our community, our neighbors, and the advancement of affordable housing in Utah.



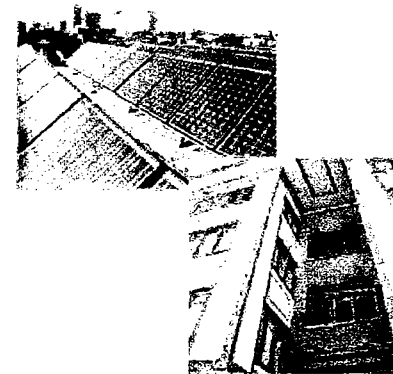
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ABOUT US...

*Opening the Door to
Affordable Housing in Utah*



(801) 484-4775

GET TO KNOW OUR COMPANY

La Porte Management, Inc. is an enterprise that is involved in numerous aspects of the affordable housing industry. We provide high-quality, comfortable, charming, and affordable rental units in the Salt Lake City and Ogden areas of Utah to low-income families. Our apartment units offer state-of-the-art living conditions reflective of the rapid advancements in technology and a growing need for quality housing.

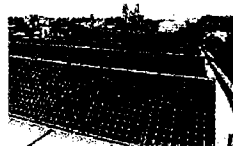
La Porte Construction, Inc. is a dynamic company that, together with our affiliates, performs all aspects of building design, general contracting and construction management. We specialize in new construction of multi-family residences as well as rehabilitation of historic urban apartment properties. With a staff of over 40 employees, we perform about 6 million dollars of work per year. We collectively have over 50 years of experience in the rehabilitation of urban properties, both here in Utah and in New York City.



CREATIVE FINANCING

La Porte utilizes many creative sources of financing in order to ensure the success of its affordable housing projects. Most projects are financed using the following sources:

- Federal & State Low-Income Housing Tax Credits
- Federal & State Historic Tax Credits
- Solar Energy Tax Credits
- Federal & State Olene Walker Housing Loan Funds (HOME Funds)
- City Loan Funds



**Solar Panel Systems
installed at the
Ashby Apartments**

If the project is underfinanced La Porte will leave its developer fees and profits invested in the project in order for the it to be financially feasible.

OUR RESIDENTS

Among the approximate 500 low-income apartment units that we own and manage, the average maximum income allowance is 46% of area median income. Although their annual income can be up to \$19,374, the actual income of our residents averages around \$14,199 per year. This means that on average, our residents only earn the equivalent at \$6.82 per hour.

Most of the buildings that we acquire are substandard and distressed properties. After we complete the 100% rehabilitation of the project the residents can enjoy brand new apartment units that have had everything replaced from electrical and plumbing systems to windows and insulation to flooring and appliances. Our residents also receive



upgrades that were not previously present in their apartments such as dishwashers, garbage disposals, and air conditioning.

On our recent projects we have been installing solar panel systems that help supplement our residents' utility bills. This typically decrease their overall payment by at least 30% monthly.

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La Porte Construction Overview



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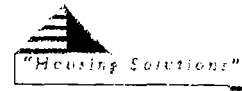
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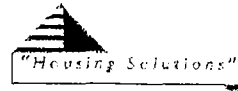
Completed Project List

Project Addresses and Descriptions

1987	Kim's Deli, Park and 17th Street New York, NY	Designed and Built	\$350,000
1987	Cineplex Odeon Theater, 8-Plex 2nd Avenue & 8th Street, NY, NY	New York City Construction	\$4.7 million
1988	19th Street and 8th Avenue, NY, NY	Loft Conversion	\$880,000
1989	Bay Ridge Brooklyn Shopping Center	Designed and Coordinated Site cleanup due to oil terminal DEP-Army Corp. of engineers, City and State officials.	\$20 million
1990	451 Edgecombe Avenue Bronx, NY	General Contractor, Rehab of 145 Apartment Units	\$6.5 million
1991	Razins Residence, Cloister, NJ	Designed and Built	\$450,000
1991	Henderson Residence, Allendale, NJ	Designed and Built	\$260,000
1992	Orleans Inn Salt Lake City, UT Sampson, Alta Eden, Hollywood Grey Lynn, Waldorf	Owned and Managed 100 Apartments and 50 hotel units	\$3.2 million
1993-1999	Amberley Village Apartments SLC, UT	Developed, Owned and Managed 107 Class "A" Apartment Complex	\$9.2 million
1994	Sam Weller Bookstore, SLC, UT	Storefront Renovation	\$150,000
1996	Stankiewicz Residence, Emigration Cyn	Designed and Built	\$560,000
1997-1998	Taylorville Terrace Condominiums	Designed, Built and Managed	\$1.2 million
1997-1998	Karen Pynes Residence SLC, UT	Designed and Completed Renovations	\$178,000

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Completed Project List (cont'd)

Project Addresses and Descriptions

1997-1998	Lindsay Logue Residence Allendale, NJ	Designed and Completed Renovation Addition	\$250,000
1998-1999	The Townhouses at the Hamlet SLC, UT	Designed, Built, and Managed	\$1.65 million
1999	Parade of Homes The Ridge at South Jordan	Designed and Built	\$450,000
1999	The Preserve Condominiums	Renovation of Condos	\$610,000
1999-2000	The Logue Personal Residence Emigration Canyon, UT	Designed and Built	\$1.2 million
1999-2000	Lowell & Sherilyn Bennion Residence East Bench, SLC, UT	Designed and Built	\$506,000
2000	Jim & Judy Holder Residence SLC, UT	Designed and Built	\$45,000
2000	Blot Residence	Designed and Renovated	\$65,000
2000-2001	Lincoln Arms Apartments and Trolley Lane Apartments, SLC, UT	Renovated, Currently Own and Manage 33 Units	\$1.56 million
2001	Old Mill Court Phase I, SLC, UT	Built and Sold	\$2.65 million
2002	Old Mill Court Phase II, SLC, UT	Built and Sold	\$2.65 million
2002	Fairview Apartments Ogden, UT	Renovated, Currently Own and Manage 32 Units	\$3.5 million
2002	Bigelow Apartments SLC, UT	Renovated, Currently Own and Manage 45 Units	\$2.3 million
2002-2003	Hoover Apartments Ogden, UT	Renovated, Currently Own and Manage 23 Units	\$1.3 million

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Completed Project List (cont'd)

Project Addresses and Descriptions

2003-2004	Valencia Apartments Ogden, UT	Renovated, Currently Own and Manage 122 Units	\$3.7 million
2003-2004	Villa South Apartments South Ogden, UT	Renovated, Currently Own and Manage 120 Units	\$3.7 million
2004	Trenton Apartments SLC, UT	Renovated, Currently Own and Manage 37 Units	\$1.9 million
2003-2008	Jefferson Ave. Townhomes, Phase 1 Ogden, UT	Designed, Built, and Sold 7 Townhome Units	\$650,000
2005	Ashby Apartments SLC, UT	Renovated, Currently Own and Manage 27 Units	\$2.2 million
2005	Ritz Apartments SLC, UT	Renovated, Currently Own and Manage 30 Units	\$1.7 million
2005	Lorna Doone	Renovated	\$1.7 million
2005	Denver Street	New Construction	\$1.2 million
2005	King Residence Emmigration Canyon, UT	Designed and Currently Building	\$1.1 million
2005	Tamlyn Apartments	Renovated	\$650,000
2006	Stratford Hotel SLC, UT	Renovated, Currently Own and Manage 46 Units	\$3.5 million
2006	Robbins Residence Emigration Oaks	Designed and Built	\$800,000
2006	Superfly Sandy, UT	Commercial Tenant Build-out	\$60,000
2006-2008	Harrow Villas Ogden, Utah	Designed and Building	\$1.9 million

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Completed Project List (cont'd)

Project Addresses and Descriptions

2007	Jefferson Ave. Townhomes, Phase 2 Ogden, UT	Designed, Built, and Selling 12 Townhome Units	\$1.2 million
2007-2008	Manor Condominiums Salt Lake City, UT	Designed and Renovating 21 Condo Units	\$3.2 million
2008	McGregor Apartments Ogden, UT	Renovating, Currently Own and Manage 55 Units	\$6.4 million
2008	Piccardy Apartments Salt Lake City, UT	Renovating, Currently Own and Manage 40 Units	\$6.3 million
2008	Peter Pan Apartments Salt Lake City, UT	Renovating, Currently Own and Manage 32 Units	\$4.9 million

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