

# SALT LAKE CITY CORPORATION

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DEPARTMENT OF COMMUNITY & ECONOMIC DEVELOPMENT  
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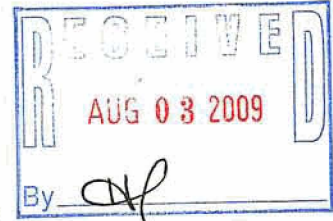
MARY DE LA MARE-SCHAEFER  
DEPUTY DIRECTOR

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DEPUTY DIRECTOR

## CITY COUNCIL TRANSMITTAL



David Everitt, Chief of Staff



Date Received: \_\_\_\_\_

Date Sent to City Council: 08/03/2009

**TO:** Salt Lake City Council  
Carlton Christensen, Chair

**DATE:** July 30, 2009

**FROM:** Frank Gray, Community & Economic  
Development Department Director



**SUBJECT:** Jonathan Morse, on behalf of Cedar Pointe Partners, LP, requesting a loan in the amount of \$142,491 from the Redevelopment Agency Housing Trust Fund for rehabilitation of the Park Place Apartment Project consisting of 224 units of affordable housing

**STAFF CONTACT:** LuAnn Clark, Housing & Neighborhood Development Director, at 801-535-6136 or [luann.clark@slcgov.com](mailto:luann.clark@slcgov.com)

**DOCUMENT TYPE:** Resolution

**BUDGET IMPACT:** None

### DISCUSSION:

**Issue Origin:** Jonathan Morse, on behalf of Cedar Pointe Partners, LC, is requesting a loan in the amount of \$142,291 from the Salt Lake City Redevelopment Agency Housing Trust Fund for rehabilitation of the Park Place (formerly Cedar Pointe) apartment project located at 731 South 300 East. The original request for was \$200,000 at 3% interest with a 40-year amortization and the remaining balance to be paid in full by December 31, 2025. Upon notification that City HTF funds could not be used for non-income-restricted units not owned by the applicant and only 61% of the common areas, a substitute request for \$142,291 was submitted by the applicant. This funding amount will be used only on those units under the applicant's ownership that are income-restricted.

**Analysis:** The Cedar Pointe project was originally comprised of a total of 370 units built in 1972 as apartments and later converted to condominiums. Eight of the units are owner-occupied; the remaining units are leased as apartments. The applicant purchased 224 of the remaining units that are leased as apartments and received a \$100,000 Salt Lake City Housing Trust Fund loan for rehabilitation of the units

purchased in March 2006. The 2006 loan request amount was \$300,000. The applicant is now requesting funding to complete the renovation of the project.

The 224 units owned by the applicant make up approximately 61% of the entire project. Therefore, only those units owned by the applicant and 61% of the cost of the common area improvements are eligible for Housing Trust Funds. The HTF ordinance defines rental housing for persons whose annual income equals 60% or less of area median income. The applicant's portion of the project was financed with bond and tax credits and the applicant is required to verify income for all tenants on an annual basis. The other 146 units have no income restrictions and are not eligible for this funding. The Housing Trust Fund can only pay a pro rata share of the common area improvements.

The Salt Lake City Police Department has stated that calls for police assistance to this project are 50% higher than the typical number of calls received. The HTF Board agreed that if this project is awarded this funding, the applicant needs to work with the Police Department to develop a security plan to address this issue and submit a progress report to the City on the implementation and results of that security plan.

It is anticipated the total construction costs of the project will be \$275,253. The loan requested from the Housing Trust Fund will be leveraged with owner equity and equity from the home owners' association.

The City currently has \$3,716,000 in the Housing Trust Fund and \$1,196,000 in the RDA Housing Trust Fund. Funding this project from the RDA Housing Trust Fund account would leave a fund balance of \$1,053,709.

***Recommendation:***

**A. Housing Trust Fund Advisory Board's Recommendation**

The Housing Trust Fund Advisory Board voted to recommend approval of this loan request at 3% for 30 years but to be due in five years with the condition that within six months the applicant provide a written report on how they can consolidate the property management, a report on how they plan to increase occupancy, and a security plan to decrease police calls.

**B. Mayor's Recommendation**

David Everitt, Chief of Staff, reviewed this issue on behalf of Mayor Becker and recommended approval of the loan as approved by the Housing Trust Fund Advisory Board.

**PUBLIC PROCESS:**

The Housing Trust Fund Advisory Committee held a public meeting and reviewed this request on May 28, 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 CEDAR POINTE PARTNERS, L.P.  
FOR THE PARK PLACE 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, Cedar Pointe Partners, L.P., has applied to the City for a loan for the Park Place Apartment project located at 731 South 300 East, in the amount of \$142,291.00 at 3% interest per annum to be amortized over thirty years but to be due in five years.

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 Cedar Pointe Partners, L.P., for a loan for the Park Place Apartment project located at 731 South 300 East in the amount of \$142,291.00 at 3% interest per annum to be amortized over thirty years but to be due in five years from the date of execution of the loan documents.

2. Cedar Pointe Partners, L.P., will use the loan funds for rehabilitation of the Park Place Apartment project, consisting of 224 units owned by Cedar Pointe Partners, L.P., out of a total of 370 units originally built in 1972 as apartments and later converted to condominiums. The 224 units owned by Cedar Pointe Partners are leased as apartments to residents with incomes at 60% or less of area median income.

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: 7/30/09

**ATTACHMENT B**  
**Staff Evaluation**

**EVALUATION  
SALT LAKE CITY HOUSING TRUST FUND**

Name of Organization: Cedar Pointe Partners, L.P

Name of Project: Park Place Apartments  
(formerly the Cedar Pointe Project)

Location of Project: 731 South 300 East

Project Description:

The Park Place/Cedar Pointe project consists of a total of 370 units originally built in 1972 as apartments and later converted to condominiums. The applicant has purchased 224 of the units which will continue to be leased as apartments to residents at 60% or less of area median income.

<u>AMI Targets</u>	<u>Rents</u>	<u>Square Feet</u>
50% - 7 one-bedroom/1bath	\$548	465
50% - 63 two-bedrooms/1bath	\$651	600
55% - 98 one-bedroom/1bath	\$610	580
55% - 6 one-bedrooms/1bath	\$610	645
55% - 33 two-bedrooms/2baths	\$724	720
60% - 17 two-bedrooms/2baths	\$913	900

Amount and terms requested: The original request for was \$200,000 at 3% interest with a 40-year amortization and the remaining balance to be paid in full by December 31, 2025. Upon notification that City HTF funds could not be used for units not owned by the applicant and only 61% of the common areas, a substitute request for \$142,291 was submitted by the applicant.

Is the entire project eligible for Housing Trust Fund money? No. The applicant owns 224 units in this complex. This is approximately 61% of the project. Therefore, the only those units owned by the applicant and 61% of the cost of the common area improvements are eligible for Housing Trust Funds. The HTF ordinance defines rental housing for persons whose annual income equals 60% or less of area median income. The applicant's portion of the project was financed with bond and tax credits and the applicant is required to verify income for all tenants on an annual basis. The other 146 units have no income restrictions and are not eligible for this funding. The Housing Trust Fund can only pay a pro rata share of the common area improvements.

Are the funds leveraged with non-government dollars?

The funds will be leveraged with \$75,253 in owner equity.

SOURCES OF FUNDS - Permanent Financing:

Owner Equity		\$ 75,253
HOA Equity		57,079
2nd Mortgage	SLC HTF	<u>142,291</u>
	TOTAL	\$275,253



USES OF FUNDS

Rehabilitation/Construction Costs

275,253

Cost per unit

\$635.23 per unit (based on \$142,291 loan amount)

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

Revenue from the rental units will be used to make the loan payments.

Does the project have demonstrated community support?

Not applicable on rehabilitation projects.

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

Yes. The applicant also owns and operates the Edison Place Apartments consisting of 95 units in Salt Lake City. The Housing Trust Fund approved a loan for renovation of the Edison Place Apartments in 2004 for \$300,000. This loan is a cash flow loan and no payments have been made since 2007.

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

Not applicable to this project.

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.

Project Strengths:

The applicant currently has a loan with Salt Lake City on the Park Place/Cedar Pointe Apartment project, has met all requirements and is current on the loan.

The project meets priority goals of the Salt Lake Community Housing Plan to maintain existing housing stock.

The units owned by the applicant provide housing for those at 60% or less of area median income.

The project will remain affordable until 2056.



Project Weaknesses:

The applicant only owns 61% of the project and therefore, only 61% of the common areas.

The loan approved for the Edison Place Apartments was required to be a cash flow loan by HUD and no payments have been made on that loan since 2007.

A rehabilitation loan request for a term of 40 years is beyond the estimated life of the proposed improvements.

Board Options

Approve the loan in the amount of \$142,291 at 3% over 30 years.

Approve the loan in the amount of \$142,291 at 3% for a term less than 30 years.

Deny the request.

Trust Fund Balances

HTF:	\$3,716,000
RDA HTF	\$1,196,000

**ATTACHMENT C**  
**May 28, 2009 Minutes**

## **HOUSING TRUST FUND ADVISORY BOARD**

### **Meeting of May 28, 2009**

The following board members were in attendance: Curtis Anderson, Paula Carl, Rick Knuth, Nancy Pace, 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 Curtis Anderson called the meeting to order at 12:09 p.m.

The Board unanimously motioned to approve the April 14th minutes.

**Consider a request from Jonathan Morse on behalf of Cedar Pointe Partners, L.P., for a \$200,000 loan from the Housing Trust Fund at 3% interest with a 40-year amortization and the remaining balance to be paid in full by December 31, 2025. The requested loan is for renovation of the Park Place Apartments located at 731 South 300 East.**

Mr. Jonathan Morse, Managing Member of Cedar Pointe Management and Russell Albright, General Partner were present to provide details and answer questions pertaining to the request.

Mr. Morse provided a history of the property indicating that in 2005 the project was renovated with tax credits, tax exempt bonds and a \$100,000 loan from the HTF. Mr. Morse said that the requested funds would be for capital improvements. Mr. Albright said that the project consists of 224 affordable housing rentals which are approximately 61% of the 370 condominium units that are dispersed throughout the complex. Mr. Albright said they have an obligation to make improvements to the other 39% of the common area as part of their agreement during the acquisition of the 224 units. Mr. Albright stated that they would now allocate their equity towards the 39% of the improvements not eligible for the City's Housing Trust Funds. Mr. Albright detailed the capital improvements for the 224 affordable housing units and the common area.

A lengthy discussion followed between the Board members, Mr. Albright and Mr. Morse regarding the sources of funds and the limit of the 61% allocation from the Housing Trust Fund. Mr. Albright explained the breakdown of the source of funds as shown on the Response to Questions Regarding the Funding Application, commenting that the application is for two different projects being done at the same time to save money.

Occupancy concerns and the different managing companies were discussed. Ms. LuAnn Clark stated that the Police Department has responded to a lot of police calls to the property concerning some of the tenants and had raised concerns relative to how the tenants are screened. Mr. Morse explained that by way of management supervision and inspection, recommendations are reported to the management committee to help weed out the problems but it is a continual struggle. Mr. Morse said that they do not have the funds to improve the security. Mr. Morse said that not all the units have the same management company. Police Department statistics indicate that calls to the property are 50% higher than average and that there are issues with the different managing companies and different owners within the units. Police Officers have acknowledged that within the complex the problem people are not the owner tenants. The Police Department is in the process of determining the apartments with the problems and their managing company.

The Board asked if Cedar Pointe Partners was considering purchasing more units. Mr. Albright said that when they purchased the 224 units it was also in their plans to purchase additional units as phase two.

A discussion followed on the terms of the loan, how applicant's equity will be allocated to the applicant's units and to the common area (HOA) and that the HTF loan will only apply to the rehabilitation of the 224 units.

Shawn Teigen motioned to approve the loan request for \$142,291 at 3% annual interest for 30 years and that the applicant, the HOA and owners work with the Police Department to lower the rate of police calls and to provide a written report to the City in six months. Nancy Pace seconded the motion. Paula Carl recommended that the applicant provide a report on how they plan to increase the occupancy. Rick Knuth suggested an amendment to the motion that the Board approve the loan amortized for 30 years but to be due in five years with the condition that within six months they provide a written report on how they can consolidate the property management, a report on how they plan to increase occupancy, and a security plan to decrease police calls. Nancy Pace seconded and accepted the amendment to the motion. All voted "Aye." The motion passed.

**ATTACHMENT D**  
**Loan Application**