
SALT LAKE CITY COUNCIL STAFF REPORT

DATE: April 8, 2010

SUBJECT: Wasatch Advantage Group, LLC, request for a loan from the City Redevelopment Agency Housing Trust Fund to assist in the construction of the Providence Place Apartments located at 309 East 100 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

POTENTIAL OPTIONS:

The following options have been identified for Council consideration.

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

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 Wasatch Advantage Group LLC from the City Redevelopment Agency Housing Trust Fund in the amount of \$200,000. The loan would provide financial assistance for new construction of the Providence Place Apartment project located at 309 East 100 South. The loan terms include a 3% interest rate for 40 years and:
1. Acknowledging that this project is also receiving mortgage loan from the U.S. Department of Housing and Urban Development (HUD) who may require this loan be subordinated to the HUD loan, and
 2. Requiring that the applicant establish a reserve account of not less than \$90,000 for a period of not less than 5 years to cover the loan repayment requirements in the event HUD requires the subordinate debt to be structured as a cash flow/residual receipts debt.
- B. Key points from the Administration's transmittal notes:
1. The original loan request from the developer was for \$1,000,000 at 3% interest for 40 years with a balloon payment at year 18 with several conditions. As noted in item A, this loan may be subject to any subordination requirements by HUD. Additional details are provided in the Administration's transmittal.
 2. The Housing Trust Fund Advisory Board and the Mayor are recommending a loan in the amount of \$200,000 at 3% interest for 40 years.
 3. As a result of the issues discussed at the Housing Trust Fund Advisory Board meeting, the developer requested a smaller loan amount in the hope of establishing a track record and partnership with the

City as a foundation for future loan requests. (Please see the Administration’s transmittal and Housing Trust Fund Advisory Board meeting minutes for details.)

4. During the Housing Trust Fund Advisory Board meeting, the developer also noted that the project will receive a loan from the Department of Housing and Urban Development (HUD) 221(d)(4) for new multi-family housing construction for for-profit borrowers.

5. Proposed Project:

- a. This loan will facilitate construction of a 125 apartment units that will be rent restricted and targeted to households at 60% of area median income or lower.
- b. The building will contain 30 two-bedroom/two-bath units, 69 one-bedroom/one-bath units and 26 studios with one bathroom.
- c. One parking stall will be set aside for each apartment unit.
- d. All units will be handicapped accessible and five units will be handicapped adaptable.
- e. Rent structure for the apartments includes:

<u>AMI Targets:</u>	<u>Rents:</u>
60% - 26 studio/one-bath units	\$550
60% - 69 one-bedroom/one-bath units	\$713
60% - 30 two bedroom/two-bath units	\$854

6. Project Background:

- a. In May 2006, Wasatch Advantage Group applied for a City Housing Trust Fund loan in the amount of \$850,000 at 2.45% over 40 years for this project.
- b. In September 2006 the Salt Lake City Council approved their loan request with a variable interest rate during the life of the loan.
- c. Several months later the applicant withdrew their request for funding without having signed the loan documents based on the project’s inability to cash flow.

C. The City currently has \$3,716,000 in the Housing Trust Fund and \$1,414,259 in the Redevelopment Agency Housing Trust Fund. Funding this project from the Redevelopment Agency Housing Trust Fund would leave a fund balance of **\$1,214,259**.

D. Total interest paid for the proposed loan amount of \$200,000 at a 3% interest rate over the 40-year life of the loan would be **\$146,099**.

E. Total construction costs are estimated at approximately \$19,271,511. Funding from the City will be leveraged with funds from HUD, federal Tax Credit Assistance Program (TCAP) and the State’s Olene Walker Housing Loan Fund, private activity bonds, letter of credit and developer note. The City’s \$200,000 contribution represents 0.01% of the total project budget.

F. The developer’s application identified the following breakdown of funding sources and uses. (As previously noted, issues discussed at the Housing Trust Fund Advisory Board meeting caused the developer to requested a smaller loan amount in the hope of establishing a track record and partnership with the City. Please see the Administration’s transmittal and Housing Trust Fund Advisory Board meeting minutes for details.)

Cost per unit: \$154,172

SOURCES OF FUNDS

Equity	Tax Credits	5,020,880
1 st Mortgage	Private Activity Bonds	9,780,835
Secured Debt	TCAP Funds - UHC	2,000,000

Secured Debt	SLC Housing Trust Fund	1,000,000 *see note
Other	Letter of Credit – Operating Deficit	718,112
Other	Developer Note	<u>751,684</u>
	TOTAL:	\$19,271,511

*Note: The Administration’s transmittal notes:

- On January 28, 2010, the applicant was awarded a loan up to \$1,000,000 from the State Olene Walker Housing Loan Fund (OWHLF) at 3% interest over 40 years. (This loan will also be subject to any subordination requirements by HUD.)
- The Olene Walker Housing Loan Fund Advisory Board encouraged the applicant to seek additional funding from another local source that would reduce the amount funded by the State.
- If the Council approves the recommended \$200,000 loan from the City Redevelopment Agency Housing Trust Fund, the loan amount from the State Olene Walker Housing Loan Fund could be reduced to \$800,000.

USES OF FUNDS

Acquisition and Pre-Development	\$1,320,256
Closing and Title	20,000
A&E Fees and Feasibility	500,000
Fees and Permits	150,000
Site Work	617,843
Base Construction Costs	10,891,383
Models, Rec. Bldg, & Furnishings	80,000
Indirect/On-Site Supervision	663,994
Developer Overhead and Fee	1,530,337
Construction Interest	163,368
Construction Loan Origination Fee	24,452
Taxes during Construction	16,500
Insurance during Construction	196,732
Org. and 3 rd Party	40,000
Guaranty Fees	28,725
MIP & HUD application fees	58,685
Construction Period Neg Arb. & HTF Int	442,837
Construction Lender Inspections	48,904
Construction Contingency	586,528
Soft Cost Contingency	100,000
Working Capital Reserve	718,112
Marketing/Leasing/Legal	156,250
Initial Operating Deficit	123,376
Permanent Financing Costs	454,424
Syndication Expense	50,000
TCAP Application/Monitoring Fees	<u>288,805</u>
Total	\$19,271,511

G. 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 Administration’s paperwork notes:

1. The applicant proposed to construct the project to meet the National Green Building Standards for multifamily rental housing units
 2. The Director of Building Services and Licensing and the Certified Plans Examiner, LEED AP, have determined that this standard meets the intent of the City's LEED Standard ordinance.
 3. The Council has recently received clarification from the City Attorney that the authority to work with applicants on the LEED issue rests with the Administration.
- H. On February 8, 2010, the Housing Trust Fund Advisory Board voted, four to two, to recommend approval of a loan request in the amount of \$200,000 at 3% interest over 40 years with stipulations relating to the HUD loan. (Please see item A in this staff report, the Administration's transmittal and draft resolution for details.)
- I. On February 18, 2010, Mayor Becker reviewed the request and recommended approval of the loan consistent with the recommendation from the Housing Trust Fund Advisory Board.

MASTER PLAN AND POLICY CONSIDERATIONS:

- A. The property is currently zoned Residential/Mixed Use R-MU. 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.
- B. The Administration's staff evaluation notes that the project "is consistent with the following new housing policies/preferred criteria currently being considered for projects requesting City funding." The Council typically does not consider draft plans that have not been advanced to the Legislative Branch or formally considered in evaluating projects. (It is Council staff's understanding that the new Housing Policy transmittal should be transmitted to the Council at a future date.) The Administration has provided information on what they are planning to transmit:
1. This project meets the following new housing policies currently under consideration:
 - a. Creation of a variety of city-wide residential housing units, including affordable housing
 - b. Proximity to mass transit, retail and commercial services
 - c. Housing units that are consistent with the Federal Americans with Disabilities Act
 - d. New housing development within the Downtown area
 - e. Provision of adequate off-street parking
 - f. Developer fees are consistent with criteria adopted by the Utah Housing Corporation
- Additional citywide Master Plan and Policy considerations are provided below.
- C. 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. Development of programs to meet the housing needs of all individuals employed by and working or living within Salt Lake City.
- c. Policies and programs that encourage home ownership without jeopardizing an adequate supply of affordable rental housing.
- d. The dispersal of affordable and transitional housing Citywide and valley-wide.

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.

D. 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.

E. The Central Community 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.

F. 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.

G. 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 17, 2009 Application submitted to Housing & Neighborhood Development Division
- February 8, 2010 Housing Trust Fund Advisory Board meeting
- February 18, 2010 Mayor's review and recommendation
- March 12 2010 Transmittal received in Council office

cc: David Everitt, Karen Hale, Lyn Creswell, Ed Rutan, Lynn Pace, Laura Kirwan, 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, Housing Trust Fund loan, Wasatch Advantage Group, LLC, Providence Place Apartments, 309 East 100 South

FRANK B. GRAY
DIRECTOR

SALT LAKE CITY CORPORATION

DEPARTMENT OF COMMUNITY & ECONOMIC DEVELOPMENT
OFFICE OF THE DIRECTOR

MARY DE LA MARE-SCHAEFER
DEPUTY DIRECTOR

ROBERT FARRINGTON, JR.
DEPUTY DIRECTOR

CITY COUNCIL TRANSMITTAL



David Everitt, Chief of Staff

Date Received: 03/11/2010

Date Sent to City Council: 03/12/2010

TO: Salt Lake City Council
JT Martin, Chair

DATE: February 23, 2010

FROM: Frank Gray, Community & Economic
Development Department Director

SUBJECT: Wasatch Advantage Group, LLC, requesting a Housing Trust Fund loan for the Providence Place apartment project to be located at 309 East 100 South, consisting of 125 rental units to be targeted toward households at 60% of area median income or lower.

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

ACTION REQUIRED: None

DOCUMENT TYPE: Resolution

BUDGET IMPACT: None

DISCUSSION:

Issue Origin:

Wasatch Advantage, LLC, is requesting a cash flow loan in the amount of \$1,000,000 from the Salt Lake City Housing Trust Fund at 3% interest per annum over forty years with a balloon payment at year 18 of the loan for the new construction of the Providence Place Apartment Project to be located at 309 East 100 South. The applicant is also requesting approval of the following conditions to the loan:

- Variable annual repayments equal to an amount which combined with the senior debt repayment results in a 1.11 debt coverage ratio (the attached revised cash flow schedule assumes a 1.16 DCR on the senior debt in year 1 of stabilized operations after

considering one bump in the area median income / rent during the 2 year construction / lease up period)

- The repayment amount would be capped during the first 18 years of stabilized operations at an amount equal to the amortized loan payment assuming a 40 year amortization and a 3% interest rate (\$42, 958 per year assuming a \$1,000,000 HTF loan)
- Any outstanding HTF loan balance due after year 18 of stabilized operations would be repaid in a lump sum balloon payment
- The source of repayment of the balloon payment in year 18 would be proceeds from project refinancing
- The operating reserve would be used to source any operating deficits created by the repayment of both the senior debt and the HTF fund in any given year
- The HTF loan repayment needs to be considered below the line for purposes of sizing the permanent debt
- The HTF loan must be non-recourse during the permanent loan period

In May 2006 Wasatch Advantage Group applied for a City Housing Trust Fund loan in the amount of \$850,000 at 2.45% over 40 years for this project. In September 2006 the Salt Lake City Council approved their loan request with a variable interest rate during the life of the loan. Loan documents were prepared and sent to Wasatch Advantage for signatures. Several months later the applicant withdrew their request for funding without finalizing the loan from the City. The applicant stated that they had decided to develop a market rate project and would not be finalizing the loan with Salt Lake City.

Analysis: The loan funds would be used for new construction of the Providence Place Apartment Project that will consist of 125 apartment units to be rent restricted and targeted to households at 60% of area median income or lower. The building will contain 30 two-bedroom/two-bath units, 69 one-bedroom/one-bath units and 26 studios with one bathroom. Rents will range from \$550 to \$854. One parking stall will be set aside for each apartment unit. All units will be handicapped accessible and five units will be handicapped adaptable.

The applicant proposes to construct the new project to the National Green Building Standard for multi-family rental housing units. The Director of Building Services and Licensing and the Certified Plans Examiner, LEED AP, have determined that this standard meets the intent of the City's LEED Standard ordinance.

During the discussion at the Housing Trust Fund Advisory Board meeting, it was discovered that this project will also receive funding from the U.S. Department of Housing and Urban Development (HUD) in the form of a 221(d)(4) loan for new construction of multifamily housing units by for-profit borrowers. HUD may require that all secondary debt be subordinate to the HUD loan and be structured as a cash flow loan if the debt coverage ratio is too low. HUD may also require that secondary funding amortization periods match or be greater than their 40 year amortization requirement.

The applicant reported that on January 28, 2010, they were awarded a loan in an amount up to \$1,000,000 from the State of Utah's Olene Walker Housing Loan Fund (OWHLF) at 3% interest over 40 years. This loan will also be subject to any subordination requirements by HUD. The

OLWHLF advisory board encouraged the applicant to seek additional funding from another local source, thereby reducing the amount that would be needed to be funded by the State of Utah. In addition to the HUD and State of Utah funding, this loan will also be leveraged with federal Tax Credit Assistance Program (TCAP) funds in the amount of \$2,000,000.

The Board took the information about the HUD loan and the Olene Walker Housing Loan Fund into consideration during a lengthy discussion on the many issues of this project and several options were considered. Following this discussion, the developer requested an even smaller loan amount in the hope of developing a track record and partnership with Salt Lake City as a foundation for loan requests they may submit for future projects.

Recommendation:

A. Housing Trust Fund Advisory Board's Recommendation

In a four-to-two vote, the Housing Trust Fund Advisory Board voted to recommend approval of this loan request on February 8, 2010 in the amount of \$200,000 at 3% simple interest per annum over forty years, acknowledging that this project is also receiving funding from the U.S. Department of Housing and Urban Development (HUD) who may require this loan be subordinate to the HUD loan. As volunteered by the applicant, the Board's motion included a requirement that the applicant establish a reserve account of not less than \$90,000 for a period of not less than five years to cover the loan repayment requirements in the event HUD requires the subordinate debt to be structured as cash flow/residual receipts debt.

B. Mayor's Recommendation

Mayor Becker reviewed this issue on February 18, 2009, and recommended approval of the loan as approved by the Housing Trust Fund Advisory Board.

The City currently has \$3,716,000 in the Housing Trust Fund and \$1,414,259 in the RDA Housing Trust Fund. Funding this project from the RDA Housing Trust Fund account would leave a fund balance of \$1,214,259.

PUBLIC PROCESS:

The Housing Trust Fund Advisory Committee held a public meeting and reviewed this request on February 8, 2010.

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 2010
AUTHORIZING A LOAN FROM
SALT LAKE CITY'S REDEVELOPMENT AGENCY HOUSING TRUST FUND
TO WASATCH ADVANTAGE GROUP, LLC FOR
THE PROVIDENCE PLACE APARTMENT PROJECT

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

WHEREAS, Wasatch Advantage Group, LLC, has applied to the City for a loan from the City's Redevelopment Agency Housing Trust Fund in order to construct the Providence Place Apartment Project to be located at 309 East 100 South in Salt Lake City that will consist of 125 affordable rental housing units for residents at 60% of the City's area median income or lower.

THEREFORE, BE IT RESOLVED by the City Council of Salt Lake City, Utah:

1. Does hereby approve Salt Lake City to enter into a loan agreement with Wasatch Advantage Group, LLC, from Salt Lake City's Redevelopment Agency Housing Trust Fund in the amount of \$200,000 at 3% simple interest per annum over forty years, acknowledging that this project is also receiving funding from the U.S. Department of Housing and Urban Development (HUD) who may require this loan be subordinate to the HUD loan and be structured as a cash flow loan if the debt coverage ratio is too low. If so, Wasatch Advantage Group, LLC, shall be required to establish a reserve account of not less than \$90,000 for a period of not less than five years to cover the loan repayment requirements.

2. Wasatch Advantage Group, LLC, will use the loan funds to construct the Providence Place Apartment project at 309 East 100 South in Salt Lake City, Utah.

3. 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.

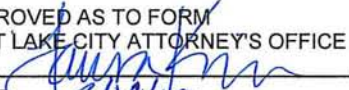
Passed by the City Council of Salt Lake City, Utah, this _____ day of _____, 2010.

SALT LAKE CITY COUNCIL

By: _____
CHAIR

ATTEST:

CHIEF DEPUTY CITY RECORDER

APPROVED AS TO FORM
SALT LAKE CITY ATTORNEY'S OFFICE
BY: 
DATE: 2/18/10

ATTACHMENT B
Staff Evaluation

**2010 EVALUATION
SALT LAKE CITY HOUSING TRUST FUND**

Name of Organization: Wasatch Advantage Group, LLC

Name of Project: Providence Place Apartments

Location of Project: 309 East 100 South

Project Description:

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

AMI Targets:

60% - 26 studio/one-bath units
60% - 69 one-bedroom/one-bath units
60% - 30 two bedroom/two-bath units

Rents:

\$550
\$713
\$854

Project History:

In May 2006 Wasatch Advantage Group applied for a City Housing Trust Fund loan in the amount of \$850,000 at 2.45% over 40 years for this project. In September 2006 the Salt Lake City Council approved their loan request with a variable interest rate during the life of the loan. Loan documents were prepared and sent to Wasatch Advantage for signatures. Several months later the applicant withdrew their request for funding without finalizing the loan from the City. The applicant stated that they had determined to develop a market rate project.

2010 Amount and terms requested:

Wasatch Advantage, LLC, is requesting a cash flow loan in the amount of \$1,000,000 from the Salt Lake City Housing Trust Fund at 3% interest per annum over forty years with a balloon payment at year 18 of the loan

- Variable annual repayments equal to an amount which combined with the senior debt repayment results in a 1.11 debt coverage ratio (the attached revised cash flow schedule assumes a 1.16 DCR on the senior debt in year 1 of stabilized operations after considering one bump in the area median income / rent during the 2 year construction / lease up period)
- The repayment amount would be capped during the first 18 years of stabilized operations at an amount equal to the amortized loan payment assuming a 40 year amortization and a 3% interest rate (\$42, 958 per year assuming a \$1,000,000 HTF loan)
- Any outstanding HTF loan balance due after year 18 of stabilized operations would be repaid in a lump sum balloon payment
- The source of repayment of the balloon payment in year 18 would be proceeds from project refinancing
- The operating reserve would be used to source any operating deficits created by the repayment of both the senior debt and the HTF fund in any given year
- The HTF loan repayment needs to be considered below the line for purposes of sizing the permanent debt
- The HTF loan must be non-recourse during the permanent loan period

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

Are the funds leveraged with non-government dollars? Yes

SOURCES OF FUNDS

	<u>Source</u>	<u>Amount</u>
Equity	Tax Credits	5,020,880
1 st Mortgage	Private Activity Bonds	9,780,835
Secured Debt	TCAP Funds - UHC	2,000,000
Secured Debt	SLC HTF	1,000,000
Other	Letter of Credit – Operating Deficit	718,112
Other	Developer Note	751,684
	TOTAL:	\$19,271,511

NOTE: On January 28, 2010, the applicant was awarded a loan in an amount up to \$1,000,000 from the State of Utah's Olene Walker Housing Loan Fund (OWHLF) at 3% interest over 40 years. The funding from this loan is not included in the above Sources of Funds.

USES OF FUNDS

Acquisition and Pre-Development	\$1,320,256
Closing and Title	20,000
A&E Fees and Feasibility	500,000
Fees and Permits	150,000
Site Work	617,843
Base Construction Costs	10,891,383
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Syndication Expense	50,000
TCAP Application/Monitoring Fees	288,805
Total	\$19,271,511

Cost per unit: \$154,172

Does the requesting agency have sufficient cash flow to repay the loan? NO.

Repayment of the loan would have to come from net operating income. The project's net operating income, however, is not sufficient to support all of the project's debt without the loan being structured as a cash flow loan.

The applicant is requesting a capped, cash flow loan during the first 18 years with a balloon payment to pay off the HTF loan in year 18.

It has always been the HTF Board's policy not to approve cash flow loans without extenuating circumstances such as providing housing to 1) clients at very, very low-incomes (30% AMI or lower), 2) clients with special needs, 3) clients transitioning out of homelessness, or 4) clients living with HIV/AIDS. This project does not fit any of these extenuating circumstances.

Does the project have demonstrated community support?

The applicant provided a letter from the Central City Neighborhood Council stating that this project had been presented to them and that they understood it was a permitted use. They listed several concerns about existing trees on the site but did not actually state they were in support of the project.

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

The applicant has provided a list of projects owned, operated and/or maintained by Wasatch Advantage. This list is included with the original application.

Project Strengths:

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

The project meets priority goals of the existing Salt Lake City Community Housing Plan to increase the City's housing stock, particularly by increasing the number of affordable housing units.

The project will remain affordable for at least 51 years.

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

The 2009 market study for Providence Place supports the development of 125 affordable rental housing units for residents with incomes at 60% of area median income.

Project Weaknesses:

The applicant is requesting a \$1,000,000 cash flow loan with a balloon payment in year 18 since it does not have sufficient net operating income to repay the loan until year 18.

A balloon payment in year 18 is a risk if the applicant is unable to obtain project refinancing at that time. Cash flow loans previously approved by the Board were for projects that served clients between 15% and 35% AMI or clients with special needs resulting in less net operating income from which to repay those loans.

The applicant's debt coverage ratio (DCR) is too low to support all of the project's debt. The two most recent new construction projects approved by the City had much higher DCR ratios. One had a DCR ratio of 1.86:1 before the SLC HTF loan repayment was factored in. The second project had a DCR of 1.85 after the SLC HTF loan repayment was factored in. The local industry's prefers DCR ranges between 1.15 and 1.2 AFTER all debt has been factored into the equation.

Lack of applicant follow-up with the City after the 2006 loan for \$850,000 was approved and signed loan documents were not returned. Finally, the applicant notified the City it would not be proceeding with the loan request since they would need turn the project into a market rate project in order to make it cash flow.

Salt Lake City does not have a loan history with this applicant.

The HTF loan repayment needs to be considered below the line for purposes of sizing the permanent debt.

HUD's 2010 Fair Market Rents are not as high as the proposed rents to be collected.

HUD's 2010 Fair Market Rents are:	Studio units	\$638
	One bedroom	\$693
	Two bedrooms	\$836

Housing Policies and Preferred Housing Criteria for City-funded Projects

This project is consistent with the following new housing policies/preferred criteria currently being considered for projects requesting City funding:

- Creation of a variety of city-wide residential housing units, including affordable housing
- Proximity to mass transit, retail and commercial services
- Housing units that are consistent with the Federal Americans with Disabilities Act
- New housing development within the Downtown area
- Provision of adequate off-street parking
- Developer fees are consistent with criteria adopted by the Utah Housing Corporation

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

The preference for mixed-income projects.

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

Upon review of the application, staff forwarded several questions to the applicant. The applicant's responses are provided in an all caps format and appear in blue:

1. How many parking stalls will be provided for the tenants of the project?

125 PARKING STALLS WILL BE PROVIDED

2. When do you anticipate the results of your application to the Olene Walker Housing Loan Fund?

WE EXPECT TO RECEIVE A DECISION REGARDING OUR APPLICATION AT THE NEXT SCHEDULED BOARD MEETING ON 1.28.09

3. What were the terms and dollar amount requested from the OWHLF?

WE REQUESTED A \$1,000,000 RESIDUAL RECEIPTS LOAN FROM OWHLF

4. Please provide a breakdown of the \$1,530,337 Developer Overhead and Fee budget line item.

UHC IMPOSES A CEILING ON THE AMOUNT OF DEVELOPER OVERHEAD AND FEE PER PROJECT—IN THE CASE OF PROVIDENCE PLACE, YOU ARE ALLOWED \$22,000 FOR THE FIRST 10 APARTMENT UNITS, \$18,300 FOR THE NEXT 20 UNITS, AND \$14,600 FOR THE REMAINING 95 UNITS. THE TOTAL OF THOSE CALCULATIONS EQUALS \$1,973,000. FROM THE \$1,973,000, YOU HAVE TO SUBTRACT \$442,663 OF OUR PROJECTED CONTRACTOR PROFIT AND OVERHEAD (4% OF THE CONSTRUCTION COSTS) FROM THE TOTAL CEILING AMOUNT, WHICH LEAVES A DEVELOPER FEE OF \$1,530,337. PLEASE NOTE THAT WE ARE SCHEDULED TO DEFER \$751,684 OF THE DEVELOPER FEE AS A FINANCING SOURCE FOR THE PROJECT.

5. Please explain why your tax credit application states that you will collect \$672 in rent for the studio units but our application reflects \$550.

THE AMOUNT OF \$672 REPRESENTS THE MAXIMUM ALLOWABLE RENT ALLOWABLE FOR STUDIO UNITS AT THE 60% AMI LEVEL UNDER THE LIHTC PROGRAM; NOTWITHSTANDING, THE ACHIEVABLE RENTS FOR STUDIOS IN TODAY'S MARKET WILL BE LESS THAN THE MAXIMUM ALLOWABLE RENTS AS EVIDENCED BY A THIRD PARTY MARKET STUDY THAT WAS COMMISSIONED FOR THIS PROJECT; HUD WILL ONLY SIZE THE PERMANENT DEBT BASED FOR PROVIDENCE PLACE BASED ON THE CURRENT ACHIEVABLE RENTS WHICH WE EXPECT TO BE \$550 PER STUDIO UNIT

6. Please explain how the Sources of Funds will be affected by your application for \$1,000,000 to the Olene Walker Housing Loan Fund.

WASATCH IS SEEKING ANY AND ALL SOURCES OF FUNDS THAT WILL HELP BRIDGE THE PROJECT'S FINANCING GAP AND WHICH WILL PROVIDE THE MOST BENEFICIAL FINANCIAL TERMS; ANY ALLOCATION OF FUNDS FROM OWHLF AND THEIR ASSOCIATED TERMS WILL NEED TO BE CONSIDERED AND WEIGHED WITH OTHER SOURCES AND TERMS THAT WE ARE SEEKING, SUCH AS THE HOUSING TRUST FUND FINANCING

7. It is not clear why you are requesting a cash flow loan if “the payments will be sourced by a general partner” if no cash is available as stated in your application in Section 5.

COULD YOU PLEASE CLARIFY WHAT IT IS THAT YOU ARE ASKING; PERHAPS THERE IS A DISCONNECT IN THE USE OF THE TERM CASH FLOW LOAN; TO CLARIFY WE ARE SEEKING CONSTRUCTION/DEVELOPMENT FINANCING IN THE AMOUNT OF \$1,000,000 TO BE REPAYED THROUGH RESIDUAL RECEIPTS CASH FLOW USING A 40 YEAR TERM AND AMORTIZATION PERIOD AND A 3% SIMPLE INTEREST RATE

8. Are your base construction costs the result of a current bid or an estimate provided by an independent third party? Based on a comparison to other projects we have reviewed recently, it appears your per unit costs are on the high end at \$154,172 each. Can you please explain?

THE NUMBERS FROM WASATCH RESIDENTIAL BUILDERS ARE ACTUALLY COMING IN MUCH LOWER THAN THE THIRD PARTY BIDS WE RECEIVED FOR THIS PRODUCT; I CAN'T RESPOND TO THE RELATIVE VALUE OF OUR CONSTRUCTION COSTS COMPARED TO THE OTHER PROJECTS YOU ARE REFERRING TO BECAUSE I DON'T KNOW WHAT TYPE OF PRODUCT YOU ARE REFERRING TO; I CAN SAY THAT URBAN, INFILL PRODUCT WITH 2 LEVELS OF SUBTERRANEAN PARKING IS GOING TO BE MUCH MORE COSTLY THAN GARDEN-STYLE WALK UP PRODUCT OR EVEN MID-RISE PRODUCT WITHOUT UNDERGROUND PARKING; PLEASE LET ME KNOW WHAT SPECIFIC PROJECTS YOU ARE REFERRING TO—I AM MORE THAN HAPPY TO COMPARE OUR COSTS TO OTHER SIMILAR PROJECTS AS LONG AS WE ARE MAKING FAIR PRODUCT COMPARISONS

9. What is indirect/on-site supervision in the amount of \$663,994? Where is the builder's profit and overhead of \$442,663; is it included in this number? If so, please explain the remaining \$221,311.

THE \$442K BUILDERS PROFIT AND OVERHEAD IS INCLUDED IN THE BASE CONSTRUCTION ON OUR PROFORMA; THE \$663K REPRESENTS THE CONSTRUCTION GENERAL CONDITIONS (6% OF THE BASE COSTS MINUS THE CONTRACTOR PROFIT/OH)

10. Please explain the working capital reserve in the amount of \$718,112.

THE 221D4 PROGRAM FROM HUD REQUIRES AN OPERATING RESERVE EQUAL TO THE FOLLOWING:

2% OF THE ANTICIPATED BOND AMOUNT AND 18 MONTHS OF INTEREST CALCULATED ON AN AVERAGE OUTSTANDING DEBT AMOUNT (THIS NUMBER COMES FROM HUD--\$905,333) LESS OUR ANTICIPATED INTEREST EARNED ON THE OUTSTANDING BOND AMOUNT (\$382,837)

11. Please explain the initial operation deficit in the amount of \$123,376.

THIS AMOUNT REPRESENTS THE DEFECIT BETWEEN OPERATIONAL REVENUE AND OPERATIONAL EXPENSES DURING THE LEASE-UP OF THE BUILDING AND ENDING AT PERMANENT LOAN CONVERSION—THE PROPERTY WILL OPERATE AT A LOSS FOR PERIOD OF TIME UNTIL BREAKEVEN OPERATIONS ARE

ACHIEVED; WE ANTICIPATE THIS LEASE UP OPERATING DEFICIT TO BE \$123,376.

12. Please provide an explanation of the differences in the numbers provided in your current tax credit application, your 2006 application to the City, and your current City application for the following items:

Use of Funds:

	<u>UHC Application</u>	<u>2006 HTF App</u>	<u>2010 HTF Application</u>
<u>Purchase Price</u>	\$1,662,500	\$952,781	\$1,320,256

THE DIFFERENCE BETWEEN THE \$952K AND THE \$1.6M REPRESENTS THE COSTS TO CARRY THE LAND FOR THE LAST FOUR YEARS; HOWEVER, UHC WOULD NOT ALLOW US TO INCLUDE OUR OWN COST OF CAPITAL IN THAT CALCULATION SO THE AMOUNT WAS REDUCED BY \$340K TO \$1.32M

Land Basis – Episcopal Church	925,281
Acquisition Fee – Kevin Keating	161,873
Interest carrying costs 2006-08	246,232
Interest carrying costs 2009	33,512
Demo costs	149,552
Interest rate cap fee	20,000
Guaranty fees	16,667
Financing fees	1,000
Lender legal fees	9,500
Outside legal counsel	14,053
Soft costs	45,062
Taxes	7,614
Pre 2009 Fees	<u>35,931</u>
TOTAL:	\$1,681,277

	<u>UHC Application</u>	<u>2006 HTF App.</u>	<u>2010 HTF Application</u>
<u>On-Site/Off-Site</u>	353,379	352,583	617,843

REALLOCATION BETWEEN SITE WORK AND BASE CONSTRUCTION BASED ON THE LATEST SPECS, PLANS AND BIDS

	<u>UHC Application</u>	<u>2006 HTF App.</u>	<u>2010 HTF Application</u>
<u>Base Construction</u>	11,522,178	8,934,349	10,891,383

THE CONSTRUCTION NUMBERS IN 2006 WERE GROSSLY UNDERSTATED—THUS RESULTING IN THE PROJECT BEING FINANCIALLY INFEASIBLE FOR SEVERAL YEARS UNTIL WE WERE ABLE TO SECURE TCAP DOLLARS FROM UHC AND HOPEFULLY OWHLF AND/OR SLC HOUSING TRUST FUND MONIES; SINCE OUR 2009 UHC APPLICATION, THE COMBINATION OF OUR SITE COSTS AND BASE COSTS HAS DECREASED BY ABOUT \$350K BASED ON THE LATEST INFORMATION WE HAVE FROM THE SUBCONTRACTING/MATERIALS COMMUNITY—THESE NUMBERS WILL CONTINUE TO FLUCTUATE BETWEEN NOW AND THE TIME WE EXECUTE THE CONSTRUCTION CONTRACT AND CLOSE ON THE FINANCING; IT IS TYPICAL THAT WASATCH PROVIDES CONSTRUCTION COMPLETION GUARANTEES AND GMAX CONTRACTS TO OUR LENDERS/INVESTORS SO THAT WE ARE BEARING THE CONSTRUCTION RISK

	<u>UHC Application</u>	<u>2006 HTF App.</u>	<u>2010 HTF Application</u>
<u>TCAP fees</u>	232,486	NA	288,805

IN 2006, THE TCAP PROGRAM WAS NOT AVAILABLE; BETWEEN OUR 2009 UHC APPLICATION AND OUR CURRENT PROFORMA, THE AMOUNT OF TCAP COMPLIANCE FEES HAS BEEN CORRECTED TO REFLECT A 3% ANNUAL ESCALATOR WHICH WAS NOT PROPERLY REFLECTED ON OUR UHC APPLICATION

	<u>UHC Application</u>	<u>2006 HTF App.</u>	<u>2010 HTF Application</u>
<u>Permanent financing</u>	1,224,239	325,197	454,424

THE 2006 APPLICATION ASSUMED A PRIVATE BOND PLACEMENT (LOW BOND ISSUANCE COSTS); THE 2009 UHC APPLICATION CONTEMPLATED A PUBLIC BOND OFFERING CREDIT ENHANCED BY FREDDIE MAC, WHICH RESULTS IN VERY HIGH BOND ISSUANCE COSTS AND FEES PAID TO FREDDIE MAC; THE CURRENT DEBT FINANCING STRUCTURE THROUGH THE HUD 221D4 PROGRAM RESULTS IN RELATIVELY AND SIGNIFICANTLY LOWER BOND ISSUANCE COSTS AND FEES AS REFLECTED BY THE \$454K BUDGET NUMBER (THIS NUMBER WAS PROVIDED BY DIRECTLY BY HUD)

Board Options

1. Approve the request as presented for \$1,000,000 at 3% over forty years with a balloon payment in year 18 when the project is refinanced. This approval will include the additional terms requested by the applicant with the condition that the non-recourse language requested is subject to approval by the City Attorney.
2. Approve the request for \$1,000,000 at 3% over 40 years but not as a cash flow loan, with interest only for the first 24 months during construction and lease up, without approving the additional terms requested by the applicant.
3. Approve the request for \$500,000 at 3.5% over forty years with interest only due for the first 24 months during construction and lease-up, without approving the additional terms requested by the applicant.
4. Approve the request with a different amount and/or different terms, without approving the additional terms requested by the applicant.
5. Deny the request

ATTACHMENT C
February 8, 2010 Minutes

HOUSING TRUST FUND ADVISORY BOARD

Meeting of February 8, 2010

The following board members were in attendance: Michael Brough, Paula Carl, Kathy Davis, Rick Knuth, Elly Muth, Nancy Pace, Faina Raik and Shawn Teigen. Staff members in attendance were LuAnn Clark, Director of Housing and Neighborhood Development, Sandi Marler, CD Programs Administrator, City Council staff Janice Jardine and Jan Davis, Administrative Secretary.

Chairperson Shawn Teigen called the meeting to order at 12:15 p.m.

The Board unanimously motioned to approve the November 4, 2009 minutes.

Consider a request from Wasatch Advantage Group, LLC, requesting a cash flow loan in the amount of \$1,000,000 at 3% interest per annum with interest only for the first 24 months during construction and lease-up, with a 40-year amortization for the Providence Place Apartment project to be located at 309 East 100 South. The project is proposed to consist of 125 apartment units that will be rent restricted and targeted to households at 60% of area median income or lower. The building will contain 30 two-bedroom/two-bath units, 69 one-bedroom/one-bath units and 26 studios with one bathroom.

Mr. Kip Sheppard, President of Wasatch Advantage Group, Tony Hladek, Vice President of Wasatch Advantage Group and Corey Johnson, Director were present to provide details and answer questions pertaining to the request.

Mr. Sheppard stated that this project had been approved for an HTF loan in 2006 for affordable housing but explained that they had withdrawn their request for funding because the construction costs were out of reach and that they were unable to financially sustain those costs. Mr. Sheppard said that they have re-evaluated the project and were able to obtain \$2,000,000 in Tax Credit Assistant Program Funds (TCAP) funds through the Utah Housing Corporation.

Mr. Sheppard further stated that on January 28, 2010 they were approved for a loan up to \$1,000,000 from the Olene Walker Housing Loan Fund. Mr. Sheppard indicated that the HTF funds will be used for land acquisition, construction costs and permanent gap financing.

Mr. Sheppard said that the project will consist of 125 apartment units that will be rent-restricted and targeted to households at 60% or below of Salt Lake County's area median income. Mr. Sheppard stated that the 60% AMI housing is underserved in the downtown area. Mr. Sheppard said the project will provide workforce housing to the Central City Neighborhood and will be a positive attribute to the community. Mr. Sheppard detailed the construction costs and said that the construction costs at this time are attainable, and that the project will be constructed to building standards that will achieve the National Green Build Certification.

Mr. Rick Knuth declared to the Board that his law firm Jones Waldo Holbrook & McDonough represents Wasatch Properties which is a corporate affiliate of the applicant and would like the record to reflect that he will not be participating in the deliberation or voting on the request.

The Board inquired about the parking structure. Mr. Sheppard explained how the underground parking design will be compatible with the residential area, and that the handicap parking stalls will be close to the exits and to the elevators.

The Board asked for clarification on capped cash flow loan. Ms. LuAnn Clark said that if their cash flow is greater than their regular payment, the HTF would not collect any additional cash for repayment. Ms.

Clark said the applicant is requesting a cash flow loan for the first 18 years with a balloon payment in year 18. Mr. Sheppard commented that any payment that has not been made according to the schedule would accrue and be part of the obligated balloon payment. A discussion followed regarding clarification on the developer's fee. Mr. Sheppard stated that those costs are within the fees allowed by the Utah Housing Corporation and that they will be deferring 50% of their developer fee subject to available cash flow.

The terms of the award for up to \$1,000,000 from the Olene Walker Housing Loan Fund were discussed. Mr. Sheppard said that the State's loan would have a 40 year amortization period at 3% interest and that the State has agreed to subordinate to HUD's language requirements. Mr. Sheppard stated that whatever amount the HTF approved for this project would reduce the amount needed from the State.

A lengthy discussion followed regarding the project's debt coverage ratio being too low to handle any debt other than the first mortgage and the possibility of HUD requiring all subordinate loans to be structured as cash flow/residual receipt loans. The Board discussed their concerns about giving this project a cash flow loan and that in the past those loans have only been awarded for projects serving very low income residents.

Elly Muth motioned to approve the loan request for \$200,000 with the same terms as the Olene Walker loan, 3% interest for 40 years. Michael Brough seconded the motion. Ms. Clark stated that if the motion includes the language to the same terms as the Olene Walker loan the City would then be required to subordinate to HUD's language and the loan may become a cash flow loan.

Nancy Pace remarked that she opposed the loan request as the HTF has minimal resources, and that the project would still be able to survive without approved funding from the HTF. Ms. Muth commented that she supports this project and believes that the project will provide affordable housing for the type of workforce for the downtown Central Business District and will be vital to downtown retail.

A short discussion followed regarding the project's objective and if any HTF funding should be approved and if it should be subordinate to the HUD loan. Chair Shawn Teigen asked for a vote. Paula Carl, Kathy Davis, Faina Raik, and Elly Muth voted "Aye." Nancy Pace opposed. Mr. Brough asked if there was a debt service requirement in the motion before he would be able to vote on this issue. Ms. Muth stated that the motion was to include all of the terms of the Olene Walker loan. Ms. Clark again stated that if the Board approved the same terms as the Olene Walker loan that this may result in this loan becoming a cash flow loan if the debt ratio is too low. Mr. Brough suggested that for the HTF terms, the HTF would agree to the Olene Walker's terms with the exception that it has to be hard debt. Due to the ramifications of the motion, Ms. Muth recalled the motion.

A lengthy discussion followed regarding the funding, and the debt coverage ratio. During this discussion, Mr. Sheppard offered to set up a reserve account of \$90,000 to cover the first five years of loan payments and added that they were very interested in establishing a good partnership with Salt Lake City for future development potential. Mr. Sheppard said that the reserve account would be a separate account established to provide a comfort level for the HTF loan and that he would guarantee the payment through this account.

Michael Brough motioned to approve the loan request for \$200,000 at 3% interest, with a 40 year amortization and the same terms as the Olene Walker loan to include the subordination to HUD with the condition that if HUD stipulates the loan must be a cash flow loan, due to a debt coverage ratio that is too low, the applicant will establish, for the benefit of the City, a reserve fund of not less than \$90,000 for a period of not less than 5 years. Elly Muth seconded the motion. Chair Shawn Teigen asked for a vote. Paula Carl, Faina Raik, Elly Muth and Michael Brough voted "Aye." Kathy Davis and Nancy Pace opposed. The motion passed. Rick Knuth did not participate in the vote on this issue.

ATTACHMENT D
Loan Application

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

Project Name: Providence Place Apartments

Applicant/Organization: Wasatch Advantage Group

Mailing Address: 26440 La Alameda, Suite 370

Mission Viejo, CA 92691

Contact Person: Tony Hladek

Phone Number: (949) 367-1393

Fax Number: (949) 367-0244

E-mail: thladek@netwasatch.com

Federal Employee Identification Number 191-066-096

Project Name: Providence Place Apartments *309 E. 100 S.*

Project Location: Salt Lake City, Utah

Amount Requested: \$ 1,000,000

Terms Requested: Construction/Permanent Gap Financing, 40 year term, 40 year amortization at 3.00% interest. Interest only for first 24 months (i.e. during construction & lease-up period).

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

**Project Description
Part I**

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

Providence Place Apartments will include 125 apartment units that will be rent-restricted and targeted to households at 60% or below of Salt Lake County's area median income (AMI). The apartment building will contain 26 studios, 69 one-bedroom/one-bath units, and 30 two-bedroom/two-bath units.

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

The Developer's current plans include the following amenities:

Project Based Amenities:

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

Unit Based Amenities:

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

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

Yes, the project conforms to the Salt Lake City Five-Year Consolidated Plan for 2005-2010 and the Salt Lake City Central Community Master Plan.

The Project was designed to accomplish several goals set forth in the Salt Lake City Five-Year Consolidated Plan and conform with the Central Community Master Plan. First, it will achieve the goal of providing a suitable living environment for workforce labor. Our workforce housing target audience will likely include individuals such as lower-paid professionals, government employees, restaurant workers, janitorial staffs,

police and fire department staffs, etc that primarily serve the Central Business District. Furthermore, the need for workforce housing in downtown Salt Lake City will continue to grow with the development of the City Creek project by the LDS church. With relatively few workforce housing units having been produced in recent years, the demand for such housing is outpacing supply. Providence Place Apartments can help address this need.

Second, according to the Central Community Future Land Use Map, the land is designated to be used as a high density Transit Oriented Development site. As workforce housing designed to primarily to serve the Central Business District, the environmental impact of its residents will be dramatically lowered than if its residents had to live outside of the downtown area. The project is within walking distance of many retail stores located in the Central Business District. Tenants will enjoy excellent proximity to mass transportation (TRAX). A TRAX station is located three blocks west of the site on Main Street and the UTA bus line stops in front of the property. This will allow tenants easy access to their employment and other city destinations in a reliable and environmentally friendly manner using existing public transit resources. The apartment building and parking facility will be designed to be aesthetically pleasing and compatible with neighboring buildings.

The cost of construction associated with building structured parking combined with the depressed tax-credit market has made this project financially unfeasible without gap financing from sources such as Salt Lake City Housing Trust Funds ("SLCHTF"). In addition to tax-exempt bond financing, low income housing tax credits, and deferring nearly 50% of the developers' fee, we have recently been able to secure a Tax Credit Assistance Program ("TCAP") allocation of \$2,000,000 from Utah Housing Corporation. The allocation of our SLCHTF request will enable us to use this TCAP funding and bridge the existing financing gap.

3. What is the property zoned?

The property is zoned "R-MU."

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.

N/A

5. Please include a breakdown of the number of units that will be provided for the various percentages of area median income (i.e., how many units for those at

80%, 50% AMI, etc.), along with a list of the rents that will be charged to each group.

Unit Type	Total Bathrooms	Number of Units	AMI Target	Monthly Base Rent Per Unit*
Studio	1	26	60%	550
1 bed	1	69	60%	713
2	1	30	60%	854

***Net of Utility Allowance**

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

Due to the mid-rise construction design, some form of financial assistance beyond that provided by the TCAP funds will be required to make this project financially feasible. Additionally on December 3, 2009, we applied for an allocation of Olene Walker Loan Funds.

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

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

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 to deal with their issues.

No, this is a new construction project.

9. How many square feet will the project contain? Please describe how the project will meet the requirements of LEED Standards in City Funded Construction (Chapter 18.95 adopted in 2006) if the project is for new construction or major renovation of a multi-family residential building that will contain more than 10,000 square feet.

The project will contain approximately 112,000 sq. ft of residential living space.

The project will be constructed to building standards that will achieve the National Green Build certification.

**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.**

See Attached Sources and Uses

Permanent Sources of Funding/Post Construction:

<u>Source</u>		<u>Amount</u>
Equity	<u>Tax Credit Equity</u>	<u>5,020,880</u>
1 st Mortgage	<u>PAB Bonds</u>	<u>9,780,835</u>
Secured Debt	<u>TCAP Funds - UHC</u>	<u>2,000,000</u>
Secured Debt	<u>Salt Lake City Housing Trust Funds</u>	<u>1,000,000</u>
Other	<u>Letter Of Credit-Operating Deficit</u>	<u>718,112</u>
Other	<u>Developer Note</u>	<u>751,684</u>
 Total Sources		 <u>19,271,511</u>

1a. Ratio of Salt Lake City Trust Funding to total funding: 5.1%

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.

See Attached Sources and Uses – Tab 1

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

Typically, income-producing real estate is valued using the income approach based on a given property's Net Operating Income and using a market capitalization rate. However, the rent-restricted nature of this property prohibits us from using this approach. Thus, it is not practical to comment at this time on the value of the property at completion.

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.

See Tab 2

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

Amortized loan payment of \$42,958 per year based on a 3% rate and 40 year amortization schedule payable from net cash flow, if available. If no cash flow is available, the payments will be sourced by a General Partner loan.

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

A security interest in land and improvements to whatever extent it is allowed by HUD and the other senior funding sources.

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

Private Activity Bonds ("PAB") - \$9,780,835 bond issuance at approximately 5.54% blended interest rate which rate includes credit enhancement. A bond allocation was awarded to the project in October 2009.

Low Income Housing Tax Credits - Generally, Projects funded with PAB's receive an allocation of LIHTC's based on the projects eligible basis. The Project receive a LIHTC allocation of \$695,319 in September 2009.

Tax Credit Assistance Program ("TCAP") - Wasatch secured an allocation of \$2,000,000 in TCAP funds for Providence Place. TCAP loans include terms such as zero interest with a single balloon payment due in 30 years

Salt Lake City Housing Trust Fund (\$1,000,000 loan at 3.00% interest). This application reaffirms the need for the award and allows the project to proceed to construction.

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

The applicant will acquire the real property for a purchase price of \$1,320,256. The purchase price will be paid from equity derived from the sale of the low income housing tax credits to Wasatch affiliated investors.

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

Not Available

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

This property will remain rent restricted for at least 55 years pursuant to the terms of the land use restriction agreement (LURA) to be recorded by Utah Housing Corporation.

Applicant Information
Part III

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

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

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

A corporation

A nonprofit or charitable institution or corporation

A partnership known as or to be known as:

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

as: Wasatch Advantage Group, LLC

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:

November 12, 2004.

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

Dell Loy Hansen, Dell Loy Hansen, Kipling Sheppard, Jeff Nielson, Brad Mishler, Cami Nielson, Tony Hladek, Joel Larson, JD Neilson, and Corey Johnson

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

Wasatch Property Management

5. Please provide a brief description of your organization.

See Tab 3

6. Who will be responsible for this project?

Wasatch Advantage Group, LLC, as the developer through development and Providence Place Holdings, LP, as the owner through development and stabilized operations.

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

See Tab 3

Current Ownership Information

Part IV

1. Who is the current owner of the property?

Providence Place Apartments, LLC

2. Who is the current manager of the property?

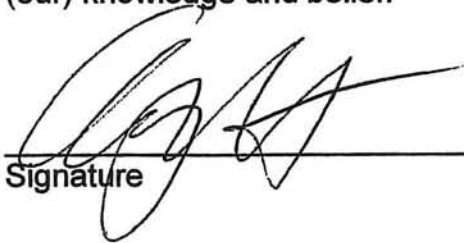
Not Applicable

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.

Partners include Wasatch Advantage Group (see page 8) and Urban Housing Partners.

Certification

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



Signature

Signature

VP of Development and Acquisitions

Title

Title

26440 La Alameda, Ste. 370, 92691

Address and Zip Code

Address and Zip Code

Date: 12/16/09

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

VP of Development and Acquisitions

Title

12/16/09

Date

Signature

Title

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

VP of Development and Acquisitions

Title

12/16/09

Date

Signature

Title

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,

**PROVIDENCE PLACE - SALT LAKE CITY, UT
DEVELOPMENT COSTS / SOURCES AND USES**

03-Dec-09

New Construction

SOURCES OF FUNDS

CONSTRUCTION

CONSTRUCTION LOAN	\$9,273,868
WAG PREDEVELOPMENT LOAN	0
COSTS PAID AT PERM CLOSING	1,258,651
EQUITY	5,020,880
LOC	718,112
SLC HTF	1,000,000
TCAP	2,000,000

TOTAL SOURCES \$19,271,511

PERMANENT

TAX CREDIT EQUITY	\$5,020,880
PERMANENT FINANCING	9,780,835
DEVELOPER NOTE	751,684
OTHER	0
LOC	718,112
SLC HTF	1,000,000
TCAP	2,000,000

TOTAL SOURCES \$19,271,511

USES OF FUNDS

ACQUISITION & PRE DEVELOPMENT

PURCHASE PRICE	\$1,320,256
CLOSING AND TITLE	20,000
LEGAL/BROKER	0
ARCHITECTURE/ENGINEERING/FEASIBILITY	500,000
PRE DEV. FIN. AND CARRY	0
SUBTOTAL	\$1,840,256

CONSTRUCTION

FEES AND PERMITS	\$150,000
ONSITE/OFFSITE	617,843
BASE CONSTRUCTION	10,891,383
EXTERIOR COMMON AREA	0
MODELS, REC. BUILDING, AND FURNISHINGS	80,000
INDIRECT/ONSITE SUPERVISION	663,994
DEVELOPER OVERHEAD & FEE	1,530,337
BRIDGE LOAN FEES & INTEREST	0
CREDIT ENHANCEMENT FEES	0
CONSTR. INTEREST	163,368
CONST FEES/APPRaisal/TAXES/TITLE	856,835
CONSTRUCTION CONTINGENCY	586,528
SOFT COSTS CONTINGENCY/INT CAP	100,000
SUBTOTAL	\$15,640,288

LEASE UP AND SALES

WORKING CAPITAL RESERVE	718,112
MARKETING/LEASING/Legal	156,250
INITIAL OPERATING DEFICIT	123,376
PERMANENT FINANCING COSTS	454,424
SYNDICATION EXPENSE	50,000
TCAC APPLICATION/MONITOR. FEES	288,805
SUBTOTAL	\$1,790,967

TOTAL USES \$19,271,511

PROVIDENCE PLACE - SALT LAKE CITY, UT
PRO FORMA INCOME AND EXPENSE SUMMARY
 New Construction

NUMBER OF UNITS	TYPE OF UNIT	SQUARE FOOTAGE	MED. INC. RESTRICT.	ALLOWED RENT/MO.	OPENING RENT/MO.	UTILITY ALLOW.	MONTHLY RENT	TOTAL RENT
26	0 BD - 1 BA - Flat	478	60.00%	712	712	40	575	14,950
69	1 BD - 1 BA - Flat	670	60.00%	762	762	49	713	49,197
30	2 BD - 2 BA - Flat	945	60.00%	915	915	61	854	25,620
Rec Bldg.		5,000						
Other		20,000						
125		112,008	Applicable Fraction	1.000000	Units			
				1.000000	Sq Ft			89,767
AVERAGE AFFORDABILITY:			#DIV/0!					

INCOME

GROSS RENTAL INCOME		1,077,204
LAUNDRY INCOME		0
OTHER INCOME		56,250
INTEREST INCOME (5% On Interest Reserve)		0
ADJUSTED GROSS INCOME		1,133,454
VACANCY ALLOWANCE	5.00%	(56,673)
BAD DEBT/CONCESSIONS	2.00%	(22,669)
EFFECTIVE GROSS INCOME		1,054,112

OPERATING EXPENSES

		Operating Expenses
1 Personnel Costs		150,000
2 Administration/General		52,875
3 Marketing Expense		37,500
4 Repairs & Maintenance		9,500
5 Cleaning & Decorating		21,000
6 Contract Services		23,125
7 Professional Fees		
8 Utilities		32,000
9 Real estate taxes & Insurance		40,343
10 Insurance		17,166
11 Services and miscellaneous (business license, etc)		-
12 Management Fee	3.00%	31,623
TOTAL OPERATING EXPENSES		(415,133)
12 OPERATING RESERVES		0
13 REPLACEMENT RESERVES		(37,500)
TOTAL OPERATING EXPENSES AND RESERVES		(452,633)
TOTAL OPERATING EXPENSES LESS TAXES AND RESERVES		(374,790)

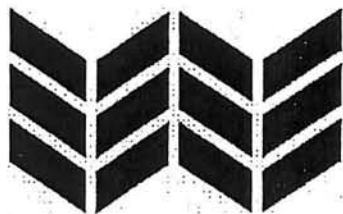
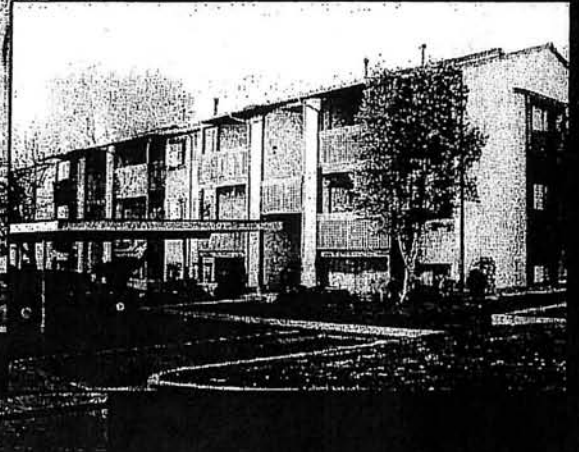
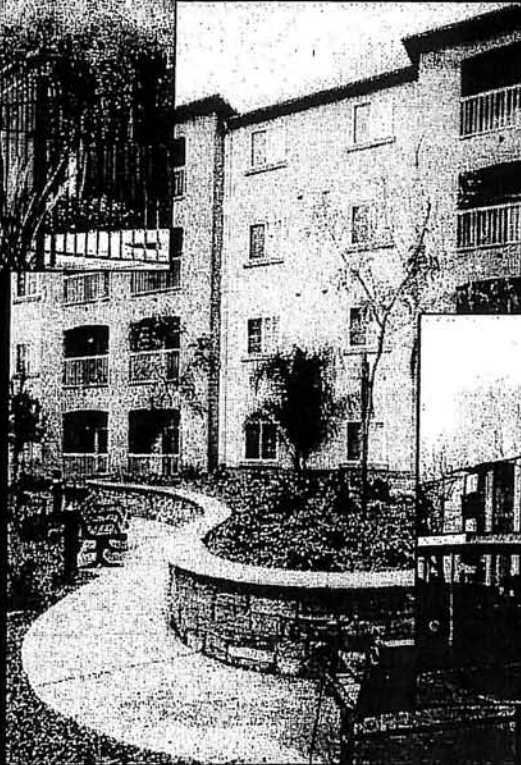
NET OPERATING INCOME

601,479

PROVIDENCE PLACE - SALT LAKE CITY, UT
 STABILIZED CASH FLOW
 New Construction
 28-Jan-10

Providence Place NIBP 12.02.09 221 d4 Olene Walker & HTF App (CF Revised).xls
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YEAR	YEAR 1 2013	YEAR 2 2014	YEAR 3 2015	YEAR 4 2016	YEAR 5 2017	YEAR 6 2018	YEAR 7 2019	YEAR 8 2020	YEAR 9 2021	YEAR 10 2022	YEAR 11 2023	YEAR 12 2024	YEAR 13 2025	YEAR 14 2026	YEAR 15 2027	YEAR 16 2028	YEAR 17 2029	YEAR 18 2030
ANNUAL INCOME INCREASES	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
ANNUAL EXPENSE INCREASES	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%
NUMBER OF UNITS AVAILABLE FOR RENT	125	125	125	125	125	125	125	125	125	125	125	125	125	125	125	125	125	125
VACANCY RATE	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
MARKET LOSS	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
REVENUE																		
RENTAL INCOME	1,104,134	1,131,737	1,160,031	1,189,032	1,218,737	1,249,326	1,280,457	1,312,168	1,345,280	1,378,912	1,413,385	1,448,720	1,484,938	1,522,061	1,560,113	1,599,115	1,639,093	1,680,071
MISCELLANEOUS INCOME	37,656	59,098	60,575	62,089	63,642	65,233	66,864	68,535	70,249	72,005	73,805	75,650	77,541	79,480	81,467	83,503	85,591	87,731
TOTAL POTENTIAL RENTAL INCOME	1,161,790	1,190,835	1,220,606	1,251,121	1,282,399	1,314,459	1,347,321	1,380,703	1,415,529	1,450,917	1,487,190	1,524,370	1,562,479	1,601,541	1,641,579	1,682,619	1,724,684	1,767,801
LESS: VACANCY	(38,090)	(39,542)	(61,030)	(62,550)	(64,120)	(65,723)	(67,366)	(69,050)	(70,776)	(72,546)	(74,359)	(76,218)	(78,124)	(80,077)	(82,079)	(84,131)	(86,234)	(88,390)
LESS: MARKET LOSS	(23,336)	(23,817)	(24,412)	(25,023)	(25,648)	(26,289)	(26,946)	(27,620)	(28,311)	(29,018)	(29,744)	(30,487)	(31,250)	(32,031)	(32,833)	(33,652)	(34,494)	(35,356)
TOTAL REVENUE	1,080,465	1,107,477	1,135,164	1,163,543	1,192,631	1,222,447	1,253,008	1,284,333	1,316,442	1,349,353	1,383,087	1,417,664	1,453,105	1,489,433	1,526,669	1,564,836	1,603,956	1,644,055
OPERATING EXPENSES	(386,446)	(399,971)	(413,970)	(428,459)	(443,455)	(458,976)	(475,041)	(491,667)	(508,875)	(526,686)	(545,120)	(564,199)	(583,946)	(604,384)	(625,538)	(647,432)	(670,092)	(693,545)
PROPERTY TAXES (Special Assessments, Bonds, etc. only)	(41,755)	(43,217)	(44,730)	(46,295)	(47,915)	(49,592)	(51,328)	(53,125)	(54,984)	(56,908)	(58,890)	(60,932)	(63,035)	(65,200)	(67,529)	(69,925)	(72,400)	(74,938)
OPERATING RESERVES	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
CAPITAL RESERVES	(37,500)	(38,438)	(39,398)	(40,383)	(41,393)	(42,428)	(43,489)	(44,567)	(45,664)	(46,782)	(47,930)	(49,109)	(50,319)	(51,561)	(52,837)	(54,148)	(55,495)	(56,878)
TOTAL EXPENSES + RESERVES	(465,701)	(481,626)	(498,098)	(515,138)	(532,764)	(550,997)	(569,857)	(589,367)	(609,549)	(630,427)	(652,033)	(674,364)	(697,475)	(721,382)	(746,114)	(771,698)	(798,164)	(825,543)
NET OPERATING INCOME	614,764	625,851	637,065	648,405	659,867	671,450	683,151	694,966	706,892	718,926	731,063	743,300	755,630	768,051	780,555	793,138	805,792	818,512
Add: Loan Debt Coverage Reserve	1.11																	
DEBT SERVICE 1ST	4.55%	(531,430)	(531,430)	(531,430)	(531,430)	(531,430)	(531,430)	(531,430)	(531,430)	(531,430)	(531,430)	(531,430)	(531,430)	(531,430)	(531,430)	(531,430)	(531,430)	(531,430)
DEBT SERVICE RATIO ON 1ST LOAN	1.16	1.18	1.20	1.22	1.24	1.26	1.29	1.31	1.33	1.35	1.38	1.40	1.42	1.45	1.47	1.49	1.52	1.54
ACCOUNTING/AUDIT FEE	7,500	(7,500)	(7,763)	(8,034)	(8,315)	(8,606)	(8,908)	(9,219)	(9,542)	(9,876)	(10,222)	(10,579)	(10,950)	(11,333)	(11,720)	(12,140)	(12,565)	(13,005)
AVAILABLE CASH FLOW FOR FEES	75,833	86,658	97,601	108,659	119,831	131,113	142,501	153,994	165,586	177,274	189,053	200,920	212,867	224,891	236,985	249,142	261,357	273,622
FEES																		
AVAILABLE CASH FLOW FOR FEE 1	75,833	86,658	97,601	108,659	119,831	131,113	142,501	153,994	165,586	177,274	189,053	200,920	212,867	224,891	236,985	249,142	261,357	273,622
PERCENTAGE APPLIED TO ADMIN FEE	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
ASSET MANAGEMENT FEE (WAO)	21,609	22,366	23,148	23,959	24,797	25,665	26,563	27,493	28,455	29,451	30,482	31,549	32,653	33,796	34,979	36,203	37,470	38,782
Total Balance	21,609	22,366	23,148	23,959	24,797	25,665	26,563	27,493	28,455	29,451	30,482	31,549	32,653	33,796	34,979	36,203	37,470	38,782
Amount Paid	(21,609)	(22,366)	(23,148)	(23,959)	(24,797)	(25,665)	(26,563)	(27,493)	(28,455)	(29,451)	(30,482)	(31,549)	(32,653)	(33,796)	(34,979)	(36,203)	(37,470)	(38,782)
Amount Accrued	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
AVAILABLE CASH FLOW FOR FEE 2	54,224	64,292	74,452	84,701	95,034	105,447	115,938	126,501	137,131	147,823	158,571	169,371	180,214	191,095	202,006	212,939	223,887	234,840
PERCENTAGE APPLIED TO PSHIP MGMT. FEE	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
PARTNERSHIP ADMIN FEE (Investor)	10,000	10,350	10,712	11,087	11,475	11,877	12,293	12,723	13,168	13,629	14,106	14,600	15,111	15,640	16,187	16,753	17,340	17,947
Total Balance	10,000	10,350	10,712	11,087	11,475	11,877	12,293	12,723	13,168	13,629	14,106	14,600	15,111	15,640	16,187	16,753	17,340	17,947
Amount Paid	(10,000)	(10,350)	(10,712)	(11,087)	(11,475)	(11,877)	(12,293)	(12,723)	(13,168)	(13,629)	(14,106)	(14,600)	(15,111)	(15,640)	(16,187)	(16,753)	(17,340)	(17,947)
Amount Accrued	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
ADDITIONAL CAPITAL CONTRIBUTION	44,224	53,942	63,740	73,613	83,558	93,571	103,645	113,778	123,961	134,194	144,465	154,771	165,103	175,455	185,819	196,186	206,547	216,894
CASH FLOW AVAILABLE FOR LOAN/LEASE PMTS	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18
DEVELOPER NOTE PAYMENTS	100.00%	3.00%	(22,224)	(21,942)	(21,240)	(20,653)	(20,600)	(20,613)	(20,687)	(20,830)	(21,004)	(21,236)	(21,507)	(21,813)	(22,145)	(22,497)	(22,989)	0
OTHER PAYMENTS	0.00%	0.00%	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
LOC PAYMENTS	0.00%	0.00%	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
SLC HTF PAYMENTS	0.00%	3.00%	(22,000)	(32,000)	(42,500)	(42,958)	(42,958)	(42,958)	(42,958)	(42,958)	(42,958)	(42,958)	(42,958)	(42,958)	(42,958)	(42,958)	(42,958)	(42,958)
TCAP PAYMENTS	0.00%	0.00%	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
TOTAL LOAN PMTS	100.00%	(44,224)	(53,942)	(63,740)	(73,613)	(83,558)	(93,571)	(103,645)	(113,778)	(123,961)	(134,194)	(144,465)	(154,771)	(165,103)	(175,455)	(185,819)	(196,186)	(206,547)
AVAILABLE CASH FLOW FOR FEE 3	0	0	0	0	0	0	0	0	0	0	0	0	0	0	99,872	153,228	163,589	(575,596)
DEBT SERVICE RATIO ON 1ST AND 2ND LOANS	1.1108	1.1108	1.1100	1.1289	1.1488	1.1690	1.1894	1.2099	1.2307	1.2516	1.2728	1.2941	1.3155	1.3372	1.3589	1.3808	1.4029	0.6182



Wasatch Advantage Group
Bettering Every Community We Enter.

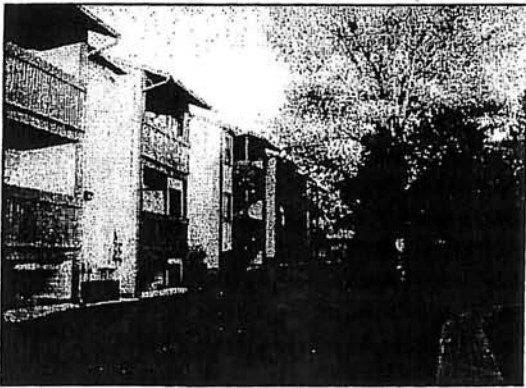
Bettering Every Community We Enter.

Our Vision.

Promising to bring new thinking to residential and other types of development, Wasatch Advantage Group, LLC and its affiliates were launched in 2004 with a clear mandate to meet the growing need for both market-rate and affordable rental housing communities throughout the western United States. Our original vision was, and remains, to participate in real estate transactions which enhance and add value to the surrounding communities where we are active. Our objective is to acquire, develop, construct, operate and own market-rate and affordable multi-family and senior rental communities. We also seek out opportunities for other special projects that augment and complete the company's vision.



As a true visionary, Dell Loy Hansen, Co-Founder and Partner, understood and took advantage of emerging shifts in the multifamily housing world and partnered with long-time industry executive Kipling S. Sheppard to create a strategic business plan that calls for the annual development of 1,500 units in six to eight communities. The distinguished reputations and experience of these two leaders, combined with their financial capacity and acumen, has created for our organization both an immediate strength and viable presence in an increasingly competitive market.



Wasatch Advantage Group has already made a significant impact since our founding, having been ranked as the nation's 36th largest affordable housing developer in 2006 by *Affordable Housing Finance* magazine. Our goal is to move into the top ten in future years.

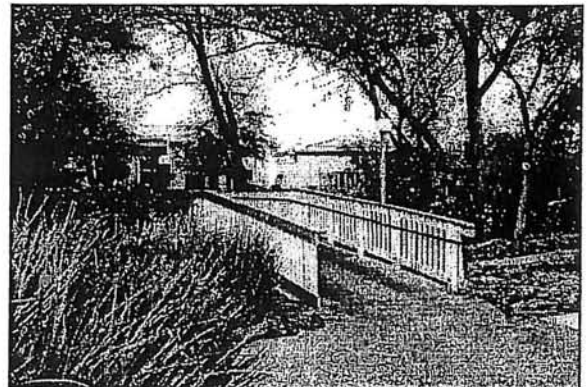
Our Mission.

We offer a unique perspective on the multi-housing industry, and our mission is to enable communities to address both their market-rate and affordable rental housing needs. We continue to develop our strategic future by applying our shared values – Integrity, Performance, and Opportunity. Our combined experience, reputation and financial capacity provide us the opportunity to create safe, decent and quality housing, thus bettering every community we enter.

Through strategic acquisitions of existing communities and development of new communities, we create environments that enhance the lives of residents, communities, employees, and partners of Wasatch Advantage Group.

Our Shared Values.

- **Integrity:** We believe our success can be attributed to our deep commitment to adhering to ethical principles in every aspect of every real estate transaction-in which we are involved.
- **Performance:** Our intended purpose and philosophy is to execute the highest grade of excellence in every facet of our business.
- **Opportunity:** We look for favorable times and situations where we can capitalize on the greatest opportunities to create positive change, while at the same time always attaining our goal – to better the communities we enter.



Our Focus.

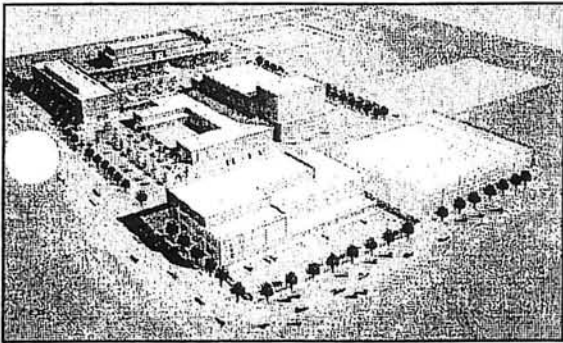
Wasatch Advantage Group focuses on three basic types of projects. As President and CEO, Mr. Sheppard utilizes his team of experts in researching market and economic trends to identify acquisition and development opportunities. Using this information, the decision whether to develop market-rate communities or develop/acquire affordable communities becomes the next step of the company's strategic decision-making and, ultimately, our performance.

Market Rate Housing

Development of market-rate rental communities will be a major focus for Wasatch Advantage Group, whose team is highly experienced with market-rate product. Our plan is to acquire, design, control, and orchestrate the process of development from beginning to end. The communities we develop will become assets to local municipalities and the surrounding neighborhood, as well as provide wonderful, high-quality living options for residents.

Affordable Housing

Acquisitions/Rehabilitation allows Wasatch Advantage Group to immediately deploy capital into growing marketplaces, by repositioning existing communities through affordable rents and allowing investors to receive the benefits of Low Income Housing Tax Credits made possible by Section 42 of the Internal Revenue Code. At the same time, **development** of new affordable communities creates positive impacts to the surrounding area by providing affordable housing for the local workforce, and bringing new opportunities for investors.



Special Projects

A variety of upcoming special projects, in some cases combining residential, commercial and other mixed uses on the same sites, will provide Wasatch Advantage Group with opportunities to widen the company's focus. By becoming involved in enhancement and expansion programs within a community, it will be our objective to continue positively impacting forward progress, community development and revitalization in these areas.



Wasatch Advantage Group

Affordable Communities

Hayward Village Senior Apartments, Hayward, California

The development and construction of this 151-unit, four-story community with elevators and on-grade parking was completed in March 2007. Residency at Hayward Village Senior Apartments is restricted to residents 55 years and older, with 90% of the units set aside for those earning 60% or less of the area median income ("AMI"). The remaining 10% of units are reserved for seniors earning 50% or less of AMI.

The total development cost of \$25,000,000 was financed with \$15,000,000 in tax-exempt bonds and \$10,000,000 of equity from the sale of tax credits.

Springwood Apartments, Bountiful, Utah

The acquisition and rehabilitation of this 144-unit apartment community was completed in August 2006. Originally built in 1985, Springwood has set aside 100% of all units for families earning 60% or less of AMI.

The total project cost of \$13,640,000 was financed by \$8,485,000 in tax-exempt bonds, \$3,955,000 of equity from the sale of tax credits, and a \$1,200,000 Seller Note.

The Utah Apartment Association awarded Springwood Apartments with the award for "Best Overall Renovation" of the year in 2006, and honored the project again in 2007 as the best overall senior and/or government assisted community in the entire state.



Wasatch Advantage Group

Spring Villas Apartments, Spring Valley, California

The acquisition and rehabilitation of this 136-unit apartment community was completed in August 2007. Spring Villas was originally built in 1987. The community has set aside 90% of the units for families earning 60% or less of AMI and 10% for families earning 50% or less of AMI.

The total project cost of \$25,100,000 was financed by \$11,990,000 in tax-exempt bonds, \$8,307,000 of equity from the sale of tax credits, a \$3,200,000 Residual Receipts Loan from the County of San Diego, a \$1,000,000 Seller Note and \$603,000 in the form of a Deferred Developer Fee Note.

Point Natomas Apartments, Sacramento, California

The acquisition and rehabilitation of this 337-unit apartment community was completed in November 2008. The community was originally built in 1987. Point Natomas has set aside 80% of all units for families earning 60% or less of AMI and 20% for those earning 50% or less of AMI.

The total project costs of \$37,200,000 were financed by \$22,654,000 in tax-exempt bonds, \$12,090,000 of equity from the sale of tax credits, a \$2,000,000 Seller Note, and \$456,000 in the form of a Deferred Developer Fee Note.

Heritage Park Apartments, Norco, California

The acquisition and rehabilitation of this 86-unit apartment community was completed in February 2008. Originally built in 1987, Heritage Park is a senior apartment community for residents over 55 years of age, with 90% of the units set aside for those earning 60% or less of AMI and 10% for seniors earning 50% or less of AMI.

The total project cost of \$13,800,000 were financed by \$4,500,000 in tax-exempt bonds, \$4,200,000 of equity from the sale of tax credits, and a \$5,100,000 Residual Receipts Loan from the City of Norco Redevelopment Agency.



Wasatch Advantage Group

Logan Park Apartments, Sacramento, California

The acquisition and rehabilitation of this 661-unit apartment community was completed in May 2009. Logan Park was originally built in 1987. The community has set aside 80% of units for families earning 60% or less of AMI and the remaining 20% for families earning 50% or less of AMI.

The total project cost of \$79,623,000 was financed by \$51,800,000 in tax-exempt bonds, \$26,523,000 of equity from the sale of tax credits, and a \$1,300,000 Seller Note.

Shadow Way Apartments, Oceanside, California

The acquisition and rehabilitation of this 144-unit apartment community will be completed in December 2009. Shadow Way was originally built in 1986. The community has set aside 45% of units for families earning 60% or less of AMI (Low Income Housing Tax Credit levels), 45% of units for families earning 60% or less of AMI (San Diego Redevelopment Agency levels) and the remaining 10% for families earning 50% or less of AMI (San Diego Redevelopment Agency levels)

The estimated total project cost of \$27,875,000 will be financed by \$15,000,000 in tax-exempt bonds, \$5,900,000 of equity from the sale of tax credits, a \$1,375,000 Developer Note, and a \$5,600,000 Residual Receipts Loan from the City of Oceanside.

Florentine Villas Apartments, Midvale, Utah

The development and construction of this 214-unit, three-story community with amenities and on-grade parking will be completed in December 2010. Florentine Villas Apartments has set aside 100% of units for families earning 60% or less of AMI. The community is conveniently located adjacent to a public transport site.

The total development cost of \$26,463,000 was financed with \$18,880,000 in tax-exempt bonds, \$4,975,000 of equity from the sale of tax credits, and \$1,351,563 in Tax Credit Assistance Program Funds.



Wasatch Advantage Group

Providence Place, Salt Lake City, Utah

In Spring 2010, Wasatch Advantage Group will begin construction on a 125-unit, five-story residential community, to be built over two levels of structured parking. Providence Place Apartments has set aside 100% of units for families earning 60% or less of AMI. The community is located within walking distance of Salt Lake City's historic Temple District. The LDS Church's \$1.5 billion City Creek Center, with premier retail, office and residential development, is located one block from the community. Total development cost is estimated at \$19,482,000.

Tuscany Villas Apartments, Midvale, Utah

The development and construction of this 85-unit, four-story community with elevators and on-grade parking will be completed in December 2010. Tuscany Villas Apartments has set aside 100% of units for seniors earning 40-50% or less of AMI. The community is conveniently located adjacent to a public transport site.

The estimated total development cost of \$10,282,000 will be financed with \$1,622,000 in conventional taxable financing, and \$8,660,000 of equity from the sale of tax credits.



Wasatch Advantage Group

Market Rate Communities

San Moritz, Midvale, Utah

In June 2009, Wasatch Advantage Group is scheduled to complete construction on a 390 unit apartment community. The community will incorporate Class "A" market-rate apartments. The community is located in the heart of the Salt Lake Valley near the main I-15 and I-215 transportation corridors, offering easy access to major employment centers and retail shopping. Total development cost is estimated at \$52,000,000.

San Tropez, South Jordan, Utah

The development and construction of a 250-unit residential community called San Tropez began in Fall 2008. Located in South Jordan, Utah, San Tropez will be integrated into an adjacent retail/lifestyle center. The community will create opportunities for residents to truly live, work and play within walking distance from their homes. Total development cost is estimated at \$35,000,000.

San Marino, South Jordan, Utah

The development and construction of a 326-unit multi-family community, located in a highly desirable area in South Jordan City, Utah, began in May 2009. San Marino will offer residents wonderful views and amenities, as well as close proximity to major employment centers. Total development cost is estimated at \$49,000,000.

San Malo, Midvale, Utah

In October 2009, Wasatch Advantage Group is scheduled to begin construction on a 300 unit apartment community. The San Malo community is located within the large View 72 mixed-use development located in the center of Salt Lake County. The View 72 development will include significant office, retail, and multi-family. The community is located conveniently adjacent to a public transportation light rail stop. Total development cost is estimated at \$43,000,000.



Wasatch Advantage Group

Garrity Way, Richmond, California

In Spring 2010, Wasatch Advantage Group will begin construction on a 127-unit, four-story residential community, to be built over two levels of structured parking. The community is located in the Hilltop area of Richmond with stunning views of the San Francisco Bay. It is also conveniently located within minutes of the Hilltop Regional Mall, "big box" retail, theaters and restaurants. The community is minutes from two BART stations with easy access to employment centers in downtown Oakland and San Francisco. Total development cost is estimated at \$35,289,000.

South Hills Development, Salt Lake County, Utah

In March 2006, along with several partners, Wasatch closed on the acquisition of 640 acres located in the southwest corner of Salt Lake Valley. In addition to Wasatch Advantage Group's ownership of the land, the company holds the exclusive right to the vertical development of all high-density residential on the 640 acres. Construction is expected to begin in 2010. The community will offer spectacular views of the Salt Lake Valley.



Wasatch Advantage Group

Special Projects

Richmond Civic Center, Richmond, California

In June 2005, Wasatch was selected through an RFP process as co-developer of the redevelopment of the Richmond Civic Center. Phase I of the project was completed in June 2009. Phase I included the renovation of the existing City Hall; renovation of the existing Hall of Justice into additional city employee offices; renovation of the plaza and landscaping of the plaza; and renovation of the existing auditorium. Phase II is expected to begin construction in summer 2009. Phase II will include construction of a new Hall of Justice and a new parking structure. Total development costs for both Phase I and Phase II are expected to be \$220,000,000.

In addition to the redevelopment of the Richmond Civic Center, the company was selected as co-developer of two sites adjacent to the Civic Center Plaza. Wasatch has the exclusive right to co-develop the two sites. Wasatch has begun the planning and design of 250 to 300 units of residential rental housing to be constructed in mid-rise buildings on the sites.

Sandy Light Rail TOD, Sandy, Utah

Wasatch Advantage Group was selected as the exclusive developer on a 35 acre mixed-use Transit Oriented Development. The project is ideally located in the City of Sandy, a suburb of Salt Lake City, and has a highly traveled commuter light rail stop within the project. The development will incorporate a mix of multi-family residential, office, and retail.

Significant public open space and amenities will be incorporated into the overall project site plan. Total development costs are estimated at \$70,000,000.



Wasatch Advantage Group

Burien Downtown Park & Ride, Burien, Washington

Wasatch entered into an agreement with Alliance to be a co-developer of 224 units of residential mixed use development and commercial rental space in King County in Burien Washington. A total of 20% of the residential units will target families earning 80% or less of AMI. The site is located next to a transit station and will offer exceptional amenities.

The estimated total project cost of \$60,688,000 will be financed by \$22,157,000 in tax-exempt bonds, \$18,408,000 in taxable bonds, \$3,170,000 of equity from the sale of tax credits, \$2,800,000 in private equity, \$4,123,000 from the parking fund at King County, and \$10,030,000 in a loan from the City of Burien.