

HOUSING TRUST FUND ADVISORY BOARD

Meeting of October 23, 2014

The following board members were in attendance: Michael Brough, Kathy Davis, Stephanie Jensen, Rick Knuth, Rocky McCain, Marilyn Pearson, and Amy Rowland. Staff members in attendance were Michael Akerlow, Director of Housing and Neighborhood Development, Nichol Bourdeaux, Deputy Director of Housing and Neighborhood Development, Todd Reeder, Housing Development Programs Specialist, Jennifer Schumann, Capital Planning Manager and Jan Davis, Administrative Secretary.

Chairperson Michael Brough called the meeting to order at 12:08 p.m.

The Board unanimously motioned to approve the August 13, 2014 minutes.

Consider a request from TenFifteen Partners for a \$800,000 loan to construct a new 60-unit apartment building located at 1015 South 200 West.

Mr. Scott Roberts representing TenFifteen Partners LLC was present to answer questions pertaining to the request.

Mr. Todd Reeder provided an overview of the project. Mr. Reeder said that TenFifteen Partners is requesting an \$800,000 loan for a new development at 1015 South 200 West for 60 units and that 10 would be restricted as affordable 60% AMI. Mr. Reeder said this would be 16% of the total project. Land is owned by the applicant and considered the equity. Mr. Reeder said there is a gap in the financing and that is why they are requesting HTF funds. Mr. Reeder said the Ballpark neighborhood has one of the highest poverty rates in the City and the neighborhood has several low income housing units. Another low income project in the neighborhood would be a concern for the area. Mr. Reeder said this project would offer a healthy mix of income and would be an asset to the neighborhood. The zoning was recently changed to allow more density and the applicant is proposing a five-story building with the fifth floor to be loft style apartments. Mr. Reeder explained the 60% AMI in reference to the rents that will be charged for a studio, one bedroom, two bedroom and that the rent per month would include the utilities. The studio units are \$650.00 and with the addition of utilities, the rent would be close to \$721.00. The one bedroom, two bedroom rent is lower than 60% AMI and lower than market rate. The idea is that once this project is stabilized, the applicant will raise market rates on the 10 units according to market demand and this will revitalize the neighborhood. Mr. Reeder said as an alternate to LEED, the applicant is proposing Enterprise Green Communities Certification. The project will be presented to the Ballpark Community Council. A letter of support from the Ballpark Community Council is required before City Council review and approval.

Mr. Reeder reviewed the financials and proposed loan terms and said that the project is estimated to cost \$6.2 million and an estimated appraisal value at \$6.9 million at completion. Mr. Reeder said that the HTF loan would be the 2nd mortgage with a debt coverage ratio of 1.09 and is somewhat more risk, but by year three the debt coverage is projected to be 1.16. Mr. Reeder said Mr. Gerald Burt managing member of TenFifteen Partners LLC has over 30 years of experience developing commercial and residential properties and that several of his projects are low-income housing achieving high marks from the RDA. Mr. Reeder said that the project would meet the goals of the SLC Housing policies and City Master plans. Mr. Reeder said that the project is unique as it is a market rate project and maintains some affordability. Mr. Reeder said the recommendation is a \$500,000 loan at 5% for 30 years or consider other amount and terms. The applicant is requesting either approval of the loan or a letter of interest to present to their bank.

The Board is concerned about the significant gap in financing if they were to approve the loan. Mr. Scott Roberts would like the HTF to consider a letter of interest with options. The option to approve the \$500,000 at 10 units or \$800,000 with an agreement on the number of affordable units. The Board asked about the proposed interest rate. Mr. Roberts replied that they hope to be under 4.5% for permanent financing. The Board asked if the rent would meet the affordable requirements. Mr. Roberts

said the 10 units would rent at 60% AMI including the utilities. Mr. Roberts said the \$650 studio apartment rate is set to obtain quick occupancy but will increase to market rate. Mr. Roberts said that there is an immediate advantage for the affordable units. The applicant would like to run an analysis with options to determine the best way to fund the project. Mr. Roberts said there will be 51 parking stalls and the stalls will be allocated to the market rate renters. There will not be stalls for everybody and the question is how many stalls would be available for the affordable units. The Board inquired about the unit mix ratio. Mr. Roberts said there was not a level of policy in regard to the unit mix ratio but rather based on the demand. Mr. Roberts said this could be part of the terms in the letter of interest.

The 10-year balloon term was discussed and Mr. Roberts indicated a loan without the balloon that could be prepaid would be the preferable terms. Mr. Roberts said the lender has given them a term sheet which is contingent upon the HTF loan. With the approval of the HTF loan, the financing process can move forward. The Board expressed concern that the 1st mortgage commitment is not in place. The Board indicated that the HTF loan should only be approved funding that the commercial market will not fund. Providing a letter of interest was discussed and the Board agreed that they are not comfortable to commit to a letter of interest without a full commitment. Mr. Roberts said that they have talked with a number of lenders and have received some of the same feedback in regard to funding the gap.

After a short discussion, the Board agreed that the project would be good for the neighborhood but before they would approve a HTF loan to fill the gap, the underwriting will need to be fulfilled with a committed primary lender and an appraisal. Mr. Rick Knuth motioned to table the loan request until the applicant has a committed primary lender and appraisal. Marilyn Pearson seconded the motion. All voted "Aye." The motion passed.

Consider a request from Shelter the Homeless for a \$265,000 loan to renovate the Wendell Apartments, a 32-unit permanent supportive housing project located at 204 West 200 North.

Mr. Matthew Minkevitch and Ms. Michelle Flynn representing Shelter the Homeless an asset holding company of The Road was present to answer questions pertaining to the request.

Mr. Todd Reeder stated that the applicant is renovating the Wendell Apartments and provided a history of the property. Mr. Reeder said that in 2012 Shelter the Homeless (STH) purchased the Wendell from the Multi Ethnic Development Corporation and operating the Wendell as permanent supportive housing serving homeless individuals at 0-30% AMI. The purchase was originally financed with Olene Walker trust funds and HTF funds. STH has received grant funding from other sources and has paid off the Olene Walker loan with the only lien on the property is the original HTF loan. Mr. Reeder described the substantial renovation improvements. Mr. Reeder said the renovation is not displacing any of the tenants while construction is in progress.

Mr. Reeder said STH is requesting an additional \$265,000 for the renovation. The current HTF loan will remain in place and the \$265,000 request will be a renovation loan only. Mr. Reeder said the HTF loan is the only loan and that the property was appraised in 2010 at \$1.29 million. The appraisal does not include the renovation or appreciation in the last four years. A new appraisal on the project is not required as SLC is the only lien holder and there is substantial value. Net operating income is around \$45,000 with a \$26,000 debt service for both loans and enough debt coverage to repay the loan. The applicant has adequate rental subsidies that will help supplement the operational expense of the project. The Road Home will be managing the property.

The Board asked if there were any landmark concerns with the building. Ms. Flynn said there are no historical requirements for the building. Mr. Rick Knuth motioned to approve the loan for \$265,000 at 1% interest rate with a 30 year amortization and 10-year balloon. Kathy Davis seconded the motion. There was a discussion on the 10 year balloon and if the 10-year balloon should be eliminated to approve the loan. Ms. Amy Rowland amended the original motion to remove the 10-year balloon as it could create a level of uncertainty and unfair burden to the applicant supporting housing units for homeless individuals.

There was no second to the amended motion. Chair Brough asked for the vote to the original motion proposed by Rick Knuth. All voted "Aye" to the original motion. The motion passed.

Administrative Updates

Todd Reeder said that there has been discussion to prepare a list of policies on how the HTF looks at loans and this will be discussed at the next HTF meeting. Board members terms was discussed and the challenge of recruiting new Board members for the HTF.

The next HTF meeting is scheduled for November 20th. An application from the Housing Authority of Salt Lake will be reviewed at the November meeting. Mr. Reeder said the 400 South 900 East affordable housing project loan is not moving forward. It is being negotiated with the RDA in regard to the tax credits and will come back to HTF if they need a loan. The Board inquired about the progress of the State Street housing project. Mr. Reeder said that the State Street project had to redesign their mechanical and currently working with the City on the permit due to the construction lender in forbearance.

Mr. Reeder said that First Step House is having their ground breaking on Veterans' Day and the Board is invited to attend.

The meeting adjourned at 1:00 p.m.