

HOUSING TRUST FUND ADVISORY BOARD

Meeting of August 13, 2014

The following board members were in attendance: Michael Brough, Kathy Davis, Steven Finch, Rick Knuth, Rocky McCain, Robert Rendon, Jocelyn Romano, and Shawn Teigen. Staff members in attendance were Michael Akerlow, 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 12:16 p.m.

Rick Knuth asked that a correction be made on the April 10, 2014 minutes. Mr. Knuth asked for clarification to Ms. Amy Rowland's amendment to the motion as stated on page 2 pertaining to alternatives for LEED certification. Mr. Todd Reeder said that currently the City does not have any alternatives to LEED. Mr. Reeder said that the ordinance states that an applicant can obtain LEED exemption from the Building Services Department if they can show that their project will be cost burden by the certification. The mayor is open to discussion for alternatives or other available programs that the City can apply that would be less costly. Rick Knuth motioned to approve the April 10th minutes with the correction to the amendment that the City administration develop a LEED equivalent but less expensive alternative. Kathy Davis seconded the motion. All voted "Aye." The motion passed.

Administrative Updates

Todd Reeder said that there has been discussion to set up HTF meetings in advance. Mr. Reeder said it is proposed to schedule meetings the third Thursday of each month with a notification at the beginning of each month if there is any business on the agenda to conduct a meeting. Chair Brough said that if there is a set date in mind the Board will plan for that and try to have it consistent. Alternative days were discussed and the staff will consider the alternative days.

5~5~25 - A New HAND Initiative

Mr. Michael Akerlow said that the Housing Market Study that was performed earlier this year has been a great tool for Housing and Neighborhood Development (HAND) in the development of citywide housing opportunities. Mr. Akerlow provided slides and a summary outlining all the different housing components that comprise HAND. Areas of discussion were Housing programs that include housing rehabilitation, first-time home buyer program, manage federal grants CDBG, HOME, HOPWA, ESG, and the management of other grants documentation. HAND manages all the homeless service efforts, Capital Improvement Program funding from the general fund that includes impact fees, class C for road improvements, curb gutter, parks, and capital facilities to develop and maintain the City's infrastructure. Mr. Akerlow said that HAND oversees Capital Asset Management which is the City's real estate service that manages acquisition and disposition of properties, encroachment leases, vending carts, arts and entertainers permits. Mr. Akerlow said that HAND also manages the programs for The Sorenson Unity Center facility, and special projects as assigned such as golf and currently economic development initiatives. Mr. Akerlow said that HAND has a very capable staff.

Mr. Akerlow discussed in detail statistics and data for the new citywide Housing Initiative and the areas of future growth in Salt Lake City. Mr. Akerlow explained that there are more renters than home owners with minority households less likely to be home owners. Rents increased 35% but renter incomes only increased 17%. Home values increased 47% and owner incomes increased 26%. There is disparity as rents are going up but incomes are not. Mr. Akerlow explained in detail the city's housing stock and vacancy rate. Mr. Akerlow stated that there are programs available in the City for renters with higher AMI, however there is not enough rental opportunities.

Mr. Akerlow said the 5~5~25 is a qualitative and quantitative approach to implementing the comprehensive housing policy and the citywide housing plan. The housing plan guidelines will support community housing, healthy homes and sustainable neighborhoods. The plan will preserve or create

5,000 housing units over a 5 year timeline at \$25 million investment from the City and its partners. Mr. Akerlow said the plan is an opportunity for all partners to come together with the goal to provide affordable housing. Mr. Akerlow outlined the five objectives of the HAND Initiative plan. Mr. Akerlow said that the HTF will be used in the community to reach these goals. The goal is to invest the funds that we have and leverage funding with other groups. Mr. Akerlow said that this research and data was provided to the RDA that resulted in the HTF receiving \$900,000.

The Board inquired how the plan will help the 0 – 40% AMI clients. Mr. Akerlow stated that the City has completed a homeless strategy plan and have identified the units for those clients that will use the most resources. Mr. Akerlow said that the initiative is focused on affordable rental housing as that is the biggest gap for the low income. Also, included in the initiative will be loans for home buyers and new housing. Mr. Akerlow acknowledged statistically when you get people into housing by rental or ownership, people do better in their lives and this model has been proven successful throughout the country.

Mr. Akerlow acknowledged that the citywide Housing Initiative has been presented to a number of groups and all the partners will be asked to sign a pledge to commit to the plan. Mr. Akerlow expressed the desire to have the support of the HTF.

A written copy of 5~5~25 HAND Initiative will be available for the Board.

Consider a request from Housing Authority of Salt Lake City for \$700,000 to construct a building at 444 South 900 East. The end result will be a 68-unit mixed income affordable housing project.

Mr. Dave Miner representing Housing Authority of Salt Lake City was present to answer questions pertaining to the request.

Mr. Todd Reeder provided an overview of the project and the history of the Housing Authority of Salt Lake City. Mr. Reeder stated that the HASLC has an excellent track record of developing, owning and operating affordable housing to lower income families in Salt Lake City. They are financially sound and well-managed. Mr. Reeder said that the HASLC is requesting \$700,000 to develop a 68-unit affordable housing project. Funding for the project will be \$1.7 million from the RDA, funding from the senior lender and the Olene Walker Housing fund. The HTF loan is the last requested funding to get the project started.

Mr. Reeder said that there are generally two types of low-income housing tax credits 9% and 4%. The 4% LIHTC are available any time to anyone. HASLC's request is evaluated at 4% LIHTC. The 9% LIHTC is competitive based and applied once a year. If the HASLC is awarded the 9% LIHTC it will change the HTF loan structure. Mr. Reeder said the 4% LIHTC would be about \$3.4 million in equity, and the 9% LIHTC would be about \$8.4 million in equity. The 4% would require more funding sources to get the project built and HASLC would need the HTF loan.

Mr. Reeder said the project will be a 68-unit mixed income with 2,000 square feet of retail on the first floor, underground parking and extensive grounds. The project consists of 57 one-bedroom units, 11 two-bedroom units. Seventy-five percent of the units will be 60% AMI or below. In regard to LEED, Mr. Reeder said that the project has received enough points to be certified as silver and the applicant will go through the process to become silver certified. The project is transit oriented as it is in a station area district urban neighborhood located on a bus stop and steps from the TRAX line. The East Central Community Council has been involved with the development and design of the project. The project meets HTF eligibility as the affordable housing rental units do not exceed 30% of annual income for a family with income 60% or below. No more than 50% of the per-unit cost shall come from the HTF. The HTF per unit cost is \$13,700 compared to the number of affordable units. Mr. Reeder explained in detail the loan terms. Debt coverage ratio shows HASLC's ability to repay the loan from operating revenues. Mr. Reeder said that HASLC anticipates the appraisal upon completion at \$9 million and this would be sufficient to cover the loan to value for all the debt. Mr. Reeder said that there is no guarantee that

HASLC will receive the 9% LIHTC and if they do attain the 9% LIHTC, the HTF loan would be repaid in equity after the project is complete and leased. Mr. Reeder reviewed the project strengths, potential weaknesses and loan conditions.

Mr. Reeder said the City is recommending a \$700,000 loan at a higher rate 2% for 40 years with the loan being due in 18 years. At the end of that time the loan can be refinanced if needed. The other option is the applicant's request of \$700,000 at 1% for 35 years. Other amount terms will be considered.

Mr. Dave Miner said that they did not obtain a pre-construction loan because they wanted to make sure the funding was available from all sources and that HASLC would get the 9% LIHTC. The RDA is pushing to get the project started this fall but HASLC would prefer to wait for confirmation that the 9% has been awarded. Mr. Miner said HASLC is trying to accommodate the RDA but in order to offset that loss of \$5 million equity on a 4% LIHTC deal, HASLC would need to acquire other sources of low market rate financing. Mr. Miner said that construction could start in October and would take 13 months to build and complete. The leasing and stabilization would take 4 to 5 months and the HTF loan would be repaid in equity after that time. Mr. Miner said that the lenders require HASLC have a lease up reserve that covers operating costs and interest costs during the lease up period plus three months. Mr. Miner said HASLC anticipates the units will be leased up quickly as the rents are attractive on the affordable 51 tax rate units and the 17 market rate units. Mr. Miner indicated that in regard to parking stalls the zoning ordinance states that no parking stalls are required. Mr. Miner indicated there will be 23 parking stalls and that could be somewhat troublesome for the commercial space clients. The commercial space will be unique and is a requirement by the RDA. HASLC does not anticipate any revenue from the commercial space but if there is revenue, it will help meet their debt payments.

The Board discussed the cash flow requirements and the loan options. Mr. Miner explained why a cash flow loan is required by the senior lenders and tax credit investor. Mr. Reeder said that the loan recommendation is based on the 4% LIHTC but if the project is awarded the 9% LIHTC, the HTF loan will be repaid within a year.

Mr. Rick Knuth declared that he did not participate in the discussion and will abstain from voting due to a representation of more than one party involved by his law firm. Chairperson Michael Brough recused Mr. Knuth.

Mr. Shawn Teigen motioned to approve the loan request for \$700,000 at 2% for 40 years with a 18-year balloon payment. Mr. Teigen asked Mr. Miner to keep the Board informed if awarded the 9% LIHTC. Robert Rendon seconded the motion. All voted "Aye" with the exception of Rick Knuth who abstained from the discussion and vote. The motion passed.

Consider a request from NeighborWorks Salt Lake for a \$750,000 Line of Credit to develop and renovate single family homes for income qualified individuals.

Ms. Maria Garciaz representing NeighborWorks Salt Lake was present to answer questions pertaining to the request.

Mr. Todd Reeder provided an overview of the project and the history of NeighborWorks Salt Lake. Mr. Reeder said that Salt Lake City has a long standing relationship with NWSL. NWSL develops and renovates single family homes in Salt Lake City that target 80% or below AMI. Mr. Reeder said that NWSL is a partner of the 5~5~25 Initiative and the idea is to administer more HOME dollars as a home developer. Mr. Reeder said that NWSL is proposing a line of credit with the HTF funds to acquire blighted, problematic and empty properties in Salt Lake City's west side neighborhoods. The intent would be to provide short term financing to develop or renovate a qualified home. When renovation is complete, NWSL will use HOME funds for the homebuyer mortgage to pay back the line of credit. The line of credit could also be repaid with traditional bank financing or other funding programs. Term of affordability would be for 15 years and a Land Use Regulatory Agreement would be recorded on the

property ensuring affordability requirements. Mr. Reeder said that the terms would be 0% interest rate for 1 year with the option to extend an additional 6 months. Each project would have the typical underwriting procedure for a construction loan line of credit. If the line of credit is not paid down after the extension period, an interest rate on the outstanding balance will be charged.

The Board asked for clarification on the 2-year term and the interest rate. Mr. Reeder said that NWSL would have 18 months at 0% interest to develop or renovate single family homes. If the property has not sold in 18 months or it is taking longer to build, the outstanding balance would start accruing interest until paid. The Salt Lake City Housing program will underwrite each qualified home. Mr. Reeder said the total aggregate will not exceed \$750,000 in the 2-year period. Mr. Reeder stated that this a pilot program for 2 years and after 2 years, it will be analyzed. Mr. Akerlow said NWSL will have more flexibility to build affordable housing more rapidly.

The Board asked about the deed restriction for 15 years and if NWSL targets a certain population. Ms. Maria Garciaz replied that any government funding that NWSL acquires is restricted to 80% or below. Ms. Garciaz said that anyone can come to NWSL and learn how to buy a home and understand home investment. Ms. Garciaz said this is required for any HOME funds and this would apply also to HTF dollars. Ms. Garciaz said NWSL does not penalize anyone if their income and or AMI increases but annual inspections are performed. Incomes are not verified but the condition of the home is verified. Ms. Garciaz explained that if the family AMI has increased from 75% to 90% and their home is sold, they don't receive all the equity. That money is recaptured and comes back to the City.

The Board inquired about the requested 0% interest rate. Ms. Garciaz said NWSL would like to keep the cost of housing affordable, otherwise, higher interest costs would have to be added to the cost of the home. Ms. Garciaz said that the HTF dollars will allow the program to move quicker as investors are buying properties. Mr. Reeder said that is one of the challenges for affordable housing.

Mr. Robert Rendon declared he will not vote because of his relationship with NWSL. Mr. Rendon said he is a member of one of NWSL committees and a former NWSL board president. Chairperson Michael Brough recused Mr. Rendon.

Rick Knuth motioned to recommend to the Salt Lake City Council to approve financing the loan as recommended by staff. Kathy Davis seconded the motion. All voted "Aye" with the exception of Robert Rendon who abstained from voting. The motion passed.

Other Business

Mr. Reeder said there are available copies of Michael Akerlow's presentation. Mr. Reeder said at the next HTF meeting there will be a review on the status of the current HTF loans. Mr. Reeder said this information will be presented to the board quarterly and one annual report. The report will indicate HTF units.

The Board inquired about the HTF April meeting recommendation to the City Council for First Step loan request. Mr. Akerlow said City Council approved. The Board asked about the status of the State Street Plaza project. Mr. Akerlow said that the project has stalled as the developer is experiencing problems with the length of time and there are current discussions of possibly bringing in an additional investor.

