



# **FAIRMONT HEIGHTS AFFORDABLE HOUSING PROJECT**

Financial Assistance Terms // May 7, 2024

# PROPERTY



- 0.81 acres
- ~\$7,000,000 acquisition price
- 2257 South 1100 East

# PROJECT



- ~110 units
- Senior housing
- Phased development
- ~80% of units affordable to 80% AMI and below
- ~50% of units affordable to 50% AMI and below
- Developer: Housing Assistance Management Enterprise (a non-profit entity of the Housing Authority of SLC) in partnership with Lincoln Avenue Communities

# COUNCIL'S ROLE

## Budget (approved):

- \$5,600,000, Community Development Block Grant (CDBG) funding

## Terms of assistance:

- Under Utah law, after first holding a public hearing, a municipality may “authorize municipal services or other nonmonetary assistance to be provided to a nonprofit entity, whether or not the municipality receives consideration in return.” Utah Code §10-8- 2(1)(a)(v)
- An informal public benefits analysis has been provided for the Council’s consideration
- Resolution, if approved, would facilitate either a loan to Developer to acquire the Property or for the City to acquire the Property and issue a below-market ground lease

# OPTION #1: ACQUISITION TO PERMANENT LOAN

City issues loan for Developer to acquire property and develop the Project

Acquisition loan terms:

- Deferred payments
- 0% interest that converts to 3% if the loan has not converted to a permanent loan by 2/2026
- Option to purchase the property if project is not initiated by 7/2026
- Converts to a permanent loan upon receipt of construction financing

Permanent loan terms:

- Up to a 40-year term
- 1% interest rate
- Interest-only payments from cash flow
- Outstanding principal and interest due at loan maturity

# OPTION #2: CITY ACQUISITION & GROUND LEASE

City Acquires Property and Issues a 99-year Ground Lease to Project

~\$7,000,000 purchase price:

- ~\$5,600,000 City
- ~\$1,400,000 Developer (applied as the ground lease payment for the first 20 years)

Ground lease fee:

- Year 0-20: ~\$1,400,000
- Year 21-99:
  - \$70,000 in year 21 with a 3% annual escalator, compounding annually, applied each year thereafter through the end of the term, payment subject to available cashflow
  - This could equate to almost \$11 million dollars over years 21-99 of the term

# PUBLIC BENEFIT HIGHLIGHTS:

## Affordable housing in a high opportunity area

- New units of affordable housing
- Located near transit, healthcare, opportunities for socializing, fitness centers, continuing education, fresh food, green space, and essential services

## Senior housing

- By 2050, the number of adults aged 65 years and older is expected to double in the U.S.
- A key lever to promote healthy aging in communities is affordable housing, especially for older adults with have limited incomes.

## Rental assistance

- HASLC has secured rental assistance for the project

## Ground lease

- City's land ownership and long-term participation in development projects

# OTHER INFO:

## Environmental review:

- Currently completing a Phase II environmental assessment
- Additional testing is required in order to meet HUD requirements
- Impacted the City's ability to wire funds to an escrow account, as previously planned, in order to expend funds by the CDBG timeliness deadline

## Tax credit deadline:

- 9% Low Income Housing Tax Credit (LIHTC) Program application deadline is June 11

