



**Item:** Exception request to the Housing Loan Program policies for the maximum loan to Steve Alley, owner of the property, located at 316 Central Ave, L4-5, B365 GFO

**From:** Bruce Haman, CDBG Housing Rehab Specialist

**Initiated By:** Planning & Community Development

**Presented By:** Craig Raymond, Planning & CD Director

**Action Requested:** Approve exception to the Housing Loan Program policy

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**Suggested Motion:**

1. Commissioner moves:

“I move that the City Commission (approve/not approve) a loan for \$250,000.00 at 0% interest to Steve Alley for a designated Fire Suppression line, Engineered Fire Suppression drawings and complete rehabilitation to the remaining 12 residential units for 316 Central Ave – Dunn Brown apartments.”

2. Mayor requests a second to the motion, Commission discussion, public comment, and calls for the vote.

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**Staff Recommendation:** The Loan Board and Staff recommend that the City Commission approve the exception request to the Housing Loan Program.

**Summary:** The Rental Improvement Loan Program policies state the following: “ For the Rental Improvement Loan Program, the maximum loan is \$30,000 per unit with a maximum of \$100,000 to any one owner, plus the cost of testing and monitoring of lead based paint if applicable.”

**Background:** The Rental Improvement Loan program allows property owners to improve the quality of their properties by bringing them up to current codes. HUD fair market rent guidelines are used to establish rents that are affordable for low to moderate income tenants. The owner must agree not to raise rents for a two year period. The loan is required to be paid back monthly at 0% interest. The term of the loan is established on a case by case basis depending on each projects feasibility or ability to pay back. Traditionally, the term of the loans range from 5 to 15 years. In years past, the RIL program has been funded annually with Community Development Block Grant funds. The repaid funds revolve back into the program for future projects. The program is revolving money back at a greater rate than is currently being allocated out. With this

positive net flow, the RIL program is able to fund larger projects as well as keeping up with the smaller rehab requests.

Steve Alley, the owner, currently has a \$156,000 loan with the City of Great Falls. He is looking to refinance the building with a private lender and payback the City loan. That private lending institution will consolidate his debt and add \$300,000 to his new mortgage for a 'first position' total of \$800,000. The added \$300,000 will help renovate the commercial space. In turn, the Housing Rehab Department will 'lend back' the \$156,000, along with \$75,000 from CDBG Block grant improvement funds and another \$19,000 from our 'Revolving Fund'. The City's loan of \$250,000 (\$156,000+\$75,000+\$19,000) will be the 'gap financing' needed to secure the loan from the private lending institution. The City loan will be in 'second position' behind the private lender. The private lender believes the appraisal will come in at \$1.2 million. With that appraisal and the combined first and second mortgages, the 'Loan to Value' will be approximately 88% - (\$1,050,000/1,200,00=87.5%). In the event of a default, the primary, or first position lender, will be the first lender to be satisfied. Given the 88% loan to value ratio, the risk of losing the investment is minimized. The overall proposed financing package will finish the Dunn Brown building completely. That includes 100% fire suppression, 13 upper apartment rehabs and 2 street level commercial rehabs. Payments to the Revolving Loan Fund begin immediately upon project rehab completion.

**Fiscal Impact:** The City's Housing Loan Program does not make money on 0% loans; the impact is a completely rehabbed building, fire safety and an increase in building value, which in turn increases the tax revenue.

**Alternatives:** The City Commission could deny the request for exception to the policy.

**Concurrences:** On October 15<sup>th</sup>, 2015, staff presented the proposed loan to the Great Falls Housing Authority Loan Board members. The board recommended that the City Commission approve the loan.

**Attachments:** 1) Loan Committee Summary  
2) Loan Committee Minutes

**LOAN COMMITTEE SUMMARY**

**Rental Improvement Loan**

October 23, 2015

Applicant: Steve Alley

Address: 316 Central Ave

PROPERTY INFORMATION

|                        |                  |                |             |
|------------------------|------------------|----------------|-------------|
| Structure Age .....    | 101 years        | Lot Size ..... | 150' X 150' |
| Purchase Date .....    | 02/01/05         | 26 units total | -26 rented  |
| Monthly Payments ...   | \$ 975.00/\$3200 |                |             |
| Interest Rate.. .....  | 0%/5.5%          |                |             |
| Mortgage Amount....    | \$               |                |             |
| 176,000.00/500,000     |                  |                |             |
| Estimated Balance..... | \$               |                |             |
| 107,000.00/\$350,000   |                  |                |             |
| (15') Appraisal .....  | \$ 1,200,000.00  |                |             |

TITLE REPORT

Mortgage Held By ... First Interstate Bank/City of GF  
 Contract for Deed Holder.....  
 Liens.. .. None  
 Delinquent Taxes..... None  
 City Utilities.. .. Current

REHABILITATION ITEMS

COST ESTIMATE

|   |                 |
|---|-----------------|
| A. Fire Suppression Line (Federal Funds)          | A. \$75,000.00  |
| B. Fire Suppression Engineering (Revolving Funds) | B. \$18,100.00  |
| C. Return Funding                                 | C. \$156,900.00 |

TOTAL: \$250,000.00

Staff Recommendations:

Mr. Alley has been in the rehab program for 9 years. He is requesting additional funds to bring a fire suppression service line into the building which includes a service stack. The unit is partially plumbed for sprinklers. The additional funds for the line and stack as well as the 'return funding' will solidify 'gap financing' from another lending institution. This will complete the entire rehab of the building which includes 100% fire sprinkled. Staff is asking for approval ONLY if appraisal is \$1,200,000 or greater. This will keep the debt to about 89% LTV or less. Staff recommends... **advance as 'Approved' to the City Commission.**

Loan Committee Recommendations: \_\_\_\_\_

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\_\_\_\_\_  
\_\_\_\_\_

# GREAT FALLS LOAN COMMITTEE MINUTES

## October 15, 2015

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### **CALL TO ORDER**

The regular meeting of the Great Falls Loan Committee was called to order by Chairperson Joseph Boyle at 12:59 p.m. in the Housing Authority Board Room, 1500 Chowen Springs Loop.

**PRESENT:** Joe Boyle, Chairperson, Cal Gilbert, Vice Chairperson, Commissioner, Mike McCleary, Commissioner, Jon McCarty, Commissioner, Marquita Ogawa, Commissioner, Dan Price, Commissioner

**ABSENT:** Jim Weber, Commissioner

**ALSO PRESENT:** Kevin Hager, Executive Director, Bruce Haman, Rehab Specialist, Cindy Hoscheid, Administrative Assistant

### **NEW BUSINESS**

#### **801 6<sup>th</sup> Ave NW**

Mr. Haman made a presentation outlining the location and condition of the property, the proposed improvements to be made and the cost estimates received by the owner for the improvements. This single family residence is 59 years old. The home is in very good condition, on a good foundation and in a good neighborhood. The owner is requesting new windows and exterior insulation/siding for energy conservation. She currently owes about \$94,885. With the added rehab cost (\$94,855-\$29,820=\$124,705) the home will be at 83% 'loan to value' as per the market analysis. This is a fairly straight forward loan request and the home will still have valuable equity. Upon rehab completion, the home should see a considerable increase in value. Staff recommends approve as submitted.

#### **Rehabilitation Items**

#### **Cost Estimate**

- |  |                |
|--|----------------|
| A. New Windows & labor                 | A. \$8,215.00  |
| B. New egress windows & labor          | B. \$5,300.00  |
| C. Exterior insulation, siding, soffit | C. \$11,405.00 |
| D. Demo/removal of siding/window etc.  | D. \$2,600.00  |

|                                     |                      |
|-------------------------------------|----------------------|
| E. 200 Amp service & interior panel | E. <u>\$2,300.00</u> |
| F.                                  |                      |
| <b>TOTAL \$29,820.00</b>            |                      |

Commissioner McCleary made a motion to approve the recommendation. Commissioner McCarty seconded the motion with unanimous voice approval.

**316 Central Ave**

Mr. Haman made a presentation outlining the location and condition of the property, the proposed improvements to be made and the cost estimates received by the owner for the improvements. This structure is 101 years old and the owner, Mr. Alley, has been in the rehab program for 9 years. He is requesting additional funds to bring a fire suppression service line into the building which includes a service stack. The unit is partially plumbed for sprinklers. The additional funds for the line and stack as well as the 'return funding' will solidify 'gap financing' from another lending institution. This will complete the entire rehab of the building which includes 100% fire sprinkled. Staff is asking for approval ONLY if appraisal is \$1,200,000 or greater. This will keep the debt to about 89% LTV or less. Staff recommends – advance as 'Approved' to the City Commission.

| <u>Rehab Items</u>                                | <u>Cost Estimate</u>   |
|---|------------------------|
| A. Fire Suppression Line (Federal Funds)          | A. \$75,000.00         |
| B. Fire Suppression Engineering (Revolving Funds) | B. \$18,100.00         |
| C. Return Funding                                 | C. <u>\$156,900.00</u> |
| <b>TOTAL</b>                                      | <b>\$250,000.00</b>    |

Commissioner McCleary made a motion to approve contingent upon appraisal of \$1.2 million minimum with the understanding \$150,000 is for the Fire Suppression and \$100,000 is for residential unit improvements. Commissioner Price seconded the motion with unanimous voice approval.

**PUBLIC COMMENT**

There being no further business to come before the Board, the meeting was adjourned at 2:22 p.m.

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Joseph Boyle, Chairperson

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Kevin Hager, Secretary