

CITY OF GREAT FALLS, MONTANA

AGENDA # 11

**A G E N D A   R E P O R T**

DATE February 5, 2008

**ITEM** Exception request to the Housing Loan Policies for the maximum loan to owner of the property 316 Central Ave, Dunn-Brown Building, L4-5, B365, GFO

**INITIATED BY** Community Development Department

**ACTION REQUESTED** Approve exception to the policy

**PREPARED & PRESENTED BY** Bruce Haman, CDBG Housing Rehab Specialist

**REVIEWED & APPROVED BY** Mike Rattray, C.D. Director

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**RECOMMENDATION:**

The Loan Board and Staff recommend that the City Commission **approve** the following motion:

**MOTION:**

I move that the City Commission approve a loan to Steve Alley for \$62,000.00 @ 0% interest for 144 months to rehab 6 units in the Dunn-Brown Apartments at 316 Central Ave

**SYNOPSIS:**

The Rental Improvement Loan Program policies state the following: 'For the Rental Improvement Loan program the maximum loan is \$10,000 per unit with a maximum of \$30,000 to any one owner, plus the cost of the testing and monitoring of lead based paint if applicable.' Mr. Steve Alley, owner of the Dunn-Brown apartments, is requesting a loan of \$ 62,000.00 to rehabilitate 6 units and replace the boiler radiators in each unit. The Housing Authority acting as Loan Committee recommends the exception to the policy and recommends approval of the loan.

**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 5-15 years.

Traditionally the RIL program has been funded annually with Community Development Block Grant

funds. The repaid funds revolve back into the program for future projects. For the last six years no funds have been requested from the Community Development Block program. 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.

This is the second request by the owner for rehab funding. There currently are 28 residential and five commercial units in the building. The owner is using the net income from the rentable apartments and leased commercial space to rehab the additional apartments. The first phase of Housing Rehab funding was used to upgrade the electrical, plumbing and heating of the building as well as five completed apartments.

The second project phase request is geared to reducing the number of units to 26. This increases the size of the apartments but reduces the high concentration of tenants. The overall cost of phase II is \$255,000.00. Housing Rehab will provide \$62,000 for the residential remodel and the balance, \$193,000 will come from a commercial bank. The commercial remodel will include a complete interior upgrade and new store fronts. Phase II will complete the entire commercial space upgrade and is an added asset to the downtown area.