



BOARD STAFF REPORT

THE COMMUNITY REINVESTMENT AGENCY of SALT LAKE CITY

TO: CRA Board Members

FROM: Allison Rowland
Senior Policy Analyst

DATE: April 8, 2025

RE: RESOLUTION: PROPOSED HOUSING DEVELOPMENT FUNDING PRIORITIES FOR FISCAL YEAR 2025-26

Item Schedule:

Briefing: April 8, 2025

Set Date: N/A

Public Hearing: N/A

Potential Action: April 8, 2025

ISSUE-AT-A-GLANCE

This briefing is designed as a follow-up discussion of the CRA *Fiscal Year 2025-26 (FY26) Housing Development Funding Strategy*, which the Board considers each year for any potential modifications. The Funding Strategy guides the three steps below, which are completed as part of the annual CRA budget process:

1. Select annual **Housing Priorities**.
2. Allocate funding for each **Housing Activity** [for example, the Housing Development Loan Program (HDLP), Assistance for Accessory Dwelling Units (ADUs), and Land Acquisition].
3. Allocate projected CRA revenue to each of four **Housing Funds** (Primary Housing Fund, Secondary Fund, Westside Community Initiative Fund, and Housing Development Loan Fund).

For FY26, CRA staff proposes maintaining all five of the Housing Priorities adopted by the Board last year, as shown below.

- **Threshold Priorities:** Deeply Affordable Housing; Family Housing with Amenities for Children.
- **Other Priorities:** Wealth Building Opportunity; Expanding Opportunity; Neighborhood Services and Commercial Space.

CRA staff plans to provide a proposal for specific funding allocations among the Housing Activities (Step 2 in the process above and for allocating projected CRA revenue to the four housing funds (Step 3) for the next Board meeting. The proposals are subject to Board approval as part of the CRA's annual budget process.

Goal of the briefing: Discuss and consider adopting the proposed Fiscal Year 2025 Housing Priorities.



BACKGROUND AND ADDITIONAL INFORMATION

A. FY26 Funding Priorities. The annual Priorities are particularly relevant to the Housing Development Loan Program (HDLP) and its annual Notice of Funding Availability (NOFA) process. The first two Priorities on the list would again be considered “threshold requirements” for HDLP funding, which means that at least one of the two Priorities must be met for proposed developments to qualify for HDLP funds. In addition, each of the four annual Housing Priorities contributes two points to the score calculated in the NOFA to help assess applications and potentially qualify them for interest rate reductions.

1. **Deeply Affordable Housing:** For FY26, CRA staff recommend that the Board reduce the income level needed to qualify for this priority to be affordable to people earning 30% of Area Median Income (AMI) or less. Reducing this level from 40% AMI or less, as it was in previous years, is expected to open units to additional individuals and families. It also would align the program with the standard used in other City programs. For FY25 CRA loans were awarded to projects that will provide approximately 482 new units priced at 40% AMI or below.
2. **Family Housing with Amenities for Children:** This priority would remain the same as in FY25, subsidizing the construction of units with three or more bedrooms in new developments, and adding the requirement that developments must include “amenities for children.” In FY25, CRA loans will help provide approximately 79 units with three or more bedrooms.
3. **Wealth-Building Opportunities:** This priority was expanded in FY24 to incorporate both Affordable Homeownership and other ideas aimed at helping increase the wealth of low- to moderate-income residents. In recent years, CRA staff have refined this category to include supplemental income opportunities, stipends for renters, cooperative housing, and more. Last month, the Board approved an additional \$4 million for the rehabilitation and/or construction of 76 units of as part of the FY25 High Opportunity NOFA.

CRA staff has noted in the past that home ownership projects can fail to qualify for Housing Development Loan Program funding because CRA funds typically are limited to 10% or less of the project’s financing sources. Homeownership projects tend to need a larger initial subsidy to reduce a home’s price to below market value.

➤ ***Would the Board like to consider the costs and benefits of changing the percentage of CRA financing allowed for homeownership projects? Alternatively, the Board could request CRA staff analyze options to address this limitation based on recent potential projects, and report back to them in a future meeting.***

4. **Expand Opportunity.** This Priority indicates the Board’s continued support for expanding affordable housing in Eastside neighborhoods, in accordance with the CRA’s High Opportunity Area Map.
5. **Neighborhood Services and Commercial Spaces.** This Priority supports neighborhoods by promoting the construction of commercial spaces, like retail, food services, and daycare.

➤ ***Does the Board wish to modify any items on the proposed list of FY26 Priorities? If not, a strawpoll may be in order.***

B. Limitations of the Project Scoring Process. In a 2023 discussion, CRA staff noted a limitation in the extent to which annual Priorities are reflected in specific projects proposed by staff to the Board for funding. The highest-ranking Priorities are not necessarily incorporated in project submissions more frequently than other priorities, because of “*other important review standards besides the priorities that projects are evaluated against such as having other sources of financing secured.*” These review standards are contained in the 2021 NOFA guidelines and application handbook, as follows:

- a. Alignment with project priorities.
- b. Content and quality of the project narrative.
- c. Qualifications and experience of the applicant and development team.
- d. Content, effectiveness, and appropriateness of the budget, sources and uses, operating proforma, and related assumptions.
- e. The readiness of the project to proceed to construction.
- f. Any and all content regarding building and site design.

➤ *Some Board Members have suggested that re-evaluation of the review standards could reveal ways to address how this apparent mismatch between the more heavily weighted Priorities and other review standards may be remedied, and how to expand opportunities for CRA funding to a wider variety of developers. **The Board may wish to ask CRA staff how each review standard is weighted, whether failing to fully meet any standard results in automatic rejection of an application, and other related questions. Alternatively, the Board could request CRA staff conduct a deeper analysis of these issues and report back to them in a future meeting.***

C. Board Prerogatives. After adopting the annual *Housing Development Funding Strategy*, the CRA Board retains the option to make policy changes among adopted housing Activities or budget allocations at any time during the year. In addition, the Board reviews and considers each specific loan project proposal before it may be approved for funding, and it can suspend any adopted policies under special circumstances for a specific project proposal.

D. Sustainability. All HDLP applicants must comply with the CRA’s Sustainable Development Policy. It requires all new construction and rehab projects receiving \$900,000 or more in funding to provide the following:

- Energy Star score of 90 or more
- 100% electric (no on-site fuel combustion)
- Participation in Salt Lake City’s Energy Benchmarking Program

E. Background. The guiding policies for the annual Affordable Housing Strategy are the *Housing Allocation Funds Policy* and *Housing Development Loan Program (HDLP) Policy*, which were adopted by the Board in 2021. As outlined in these policies, CRA staff prepares a proposed Strategy—including a resolution and funding allocations—for the Board’s consideration and approval. During the broader City budget discussions (typically in May) the Board would finalize the funding amounts in the Strategy.

1. ***Housing Allocation Funds Policy.*** The Housing Allocation Funds Policy sets up four housing funds: Primary; Secondary; Housing Development Fund; and Westside Community Initiative. CRA staff account for the revenues, expenditures, interest, payments, and repayments for each fund source separately. The annual budgeting process laid out in the policy includes the *Housing Development Funding Strategy*. Per policy, the Strategy includes:

- a. a projected revenue amount proposed by CRA staff to be allocated to the Housing Funds, and
 - b. a proposed funding allocation among the Housing Activities (for example, gap financing loans, property acquisition) approved annually by the Board.
2. ***Housing Development Loan Program (HDLP) Policy.*** The *Housing Development Loan Program (HDLP) Policy* defines one of the four typical Activities used to implement the Annual Priorities: the Housing Development Loan Program. The purpose of this program is to provide low-cost financial assistance to incentivize the development and preservation of affordable housing in Salt Lake City.

POLICY QUESTIONS

1. ***Would the Board like to begin a preliminary discussion of funding allocations related to the Housing Activities to simplify discussions during the broader budget discussions in May?***
The Board could consider discussing this funding by speaking in terms of percentages of the total amount. For example,
 - x% for the Housing Development Loan Program (HDLP)
 - y% for Assistance for Accessory Dwelling Units (ADUs)
 - z% for Land Acquisition
2. ***Does the Board wish to be informed of updated balances in each of the four Housing Funds before making decisions about allocations? The Board also may wish to ask about the plan for dealing with any surpluses or shortfalls in actual revenue compared to the revenue estimates. Will the CRA staff return to the Board for authorization to make changes to the amounts allocated to each Activity, for example, through budget amendments?***
3. ***The Board may wish to ask for an update from CRA staff on guiding policies for the Westside Community Initiative.***