



# BOARD STAFF REPORT

THE REDEVELOPMENT AGENCY of SALT LAKE CITY

**TO:** RDA Board Members  
**FROM:** Allison Rowland  
Budget & Policy Analyst

**DATE:** December 10, 2024

**RE: INFORMATIONAL: ACCESSORY DWELLING UNIT FINANCING PROGRAM**

Item Schedule:

Briefing: December 10, 2024

Set Date: n/a

Public Hearing: n/a

Potential Action: TBD

Board Members will receive a briefing, and potentially conduct a straw poll, on a recommendation for using \$2,913,215 to fund a proposed new Accessory Dwelling Unit (ADU) Financing Program. Most of this amount must be used in the 9-Line Community Reinvestment Area, per the 9-Line Interlocal Cooperation Agreement with Salt Lake County. However, the Board allocated \$1,000,000 of the total from the Housing Development Fund and encouraged RDA staff to consider proposals in any areas of the City west of the I-15 freeway.

Three proposals were submitted to the Notice of Funding Availability (NOFA) for this program, and the RDA Finance Committee unanimously recommended funding the proposal submitted by the Community Development Corporation of Utah (CDCU), using the full \$2.9 million allocation. A summary of CDCU's proposed program can be found on page 7 of the transmittal, and RDA staff summaries of all three applications can be found in Attachment C1, below. Pending the Board's direction, RDA staff would negotiate the final agreement with CDCU for approval at a future Board meeting.

## ADDITIONAL AND BACKGROUND INFORMATION

- A. **CDCU Proposal.** The RDA's recommended application, from the Community Development Corporation of Utah (CDCU), would assist qualified homeowners with the construction of ADUs which would be offered as rental units on the homeowners' properties, beginning in 2025. CDCU would establish a combination grant and loan program, as well as helping participants with property management and establishing a loan-loss reserve fund. The program would be piloted for up to two years, or until the full \$2.9 million is spent. CDCU anticipates facilitating the construction of 15-20 ADUs during that period.

The program would be open to two types of homeowners: those who earn up to 80% of AMI, and those who earn more than that. Lower-income homeowners could rent their ADUs at market rate, while higher-income owners would be required to keep the rental price affordable to those earning 80% of AMI or less. CDCU



would be charged with compliance monitoring. The organization also would offer a website for applications to the program, and would market it through websites, social media, events, and community partnerships.

**B. Compliance and Program Assessment.** The RDA reported the following in terms of monitoring measuring success for the ADU program:

- *“Overall program compliance, including the RDA’s role in compliance, will be determined as part of the negotiations with CDCU.*
- *CDCU has tentatively proposed to manage affordability compliance in-house.*
- *In other areas, such as the ADU development process, compliance will be overseen by the City’s existing departments at their normal touchpoints (Planning, Building, Engineering, etc.)”*

**C. 9-Line CRA Revenue for the RDA.** When Salt Lake City and Salt Lake County established the 9-Line Community Reinvestment Area in 2021, the parties agreed (in part) to condition the RDA’s portion of the tax increment revenue received upon establishing an ADU program, developing an anti-displacement policy, and creating a sustainable development policy by 2025. This means that by establishing an ADU program, and meeting the other two conditions, beginning in 2026 the RDA’s share of project area revenue would rise to 60% of the tax increment from 50% currently. The projected FY25 County portion of tax increment is \$652,769.

## **POLICY QUESTIONS**

- 1. The Board may wish to request additional information on the other two applications for these funds, specifically, what were the advantages and disadvantage of each?***
- 2. The Board may wish to request that alternatives to application-via-website be offered for those who may not have trouble-free access to the internet. Similarly, the Board could request that special efforts be made as part of CDCU’s outreach to contact these homeowners.***
- 3. The Board may wish to inquire how CDCU would make the outreach and the application process accessible to homeowners who primarily speak Spanish or other languages rather than English.***

## **ATTACHMENT**

Attachment C1. RDA Staff Summaries of ADU Program Applications.

## **SUMMARY OF APPLICATIONS**

### **Community Development Corporation of Utah (Ranked 1<sup>st</sup> with a score of 25.8/30)**

CDCU's application proposes a program that offers financing and property management assistance. The proposed program consists of a combination grant and loan product that is available to either (1) homeowners earning up to 80% of AMI and renting their ADU at market rate, or (2) homeowners earning greater than 80% of AMI and renting their ADU at a rate affordable to renters earning 80% of AMI.

CDCU's proposal does not include outside funding but the applicant is "in constant conversation with other national CDFIs and financial institutions to build a loan fund pool for affordable and innovative financial solutions." The program would offer a website where homeowners could apply for the ADU financing program. CDCU proposes to market this program through websites, social media, events, and community partnerships. CDCU currently offers complimentary programs, including a financial coaching & education program, a home buyer education program, and the Tenant Resource Center. CDCU is asking for the full \$2.9 million in RDA funds to pay for program servicing, a loan loss reserve fund, a grant fund, and a revolving loan fund. It proposes launching this program in 2025.

### **NeighborWorks Salt Lake (Ranked 2<sup>nd</sup> with a score of 21.3/30)**

NeighborWorks proposes a holistic program, offering guidance for homeowners from design to property management. Its program envisions different loans for homeowners earning 80% of AMI or less, those earning 80% of AMI or more, and those earning between 100% and 120% of AMI—with each group eligible for a different loan amount. NeighborWorks proposes an online application in both English and Spanish. NeighborWorks currently offers a complimentary financial education program.

NeighborWorks proposes partnering with Strawtegi on this program, which would provide design and construction services. Strawtegi specializes in sustainable construction techniques using local and carbon-neutral materials. Strawtegi proposes using this funding to launch an off-site modular ADU production facility that will offer 3 ADU options. NeighborWorks offers \$1.5 million of its own funding and is asking for the full \$2.9 million in RDA funds to pay for administrative costs, marketing, office expenses, staff time, legal and consulting fees, and the creation of a loan fund. It proposes launching its program in 2025.

### **Viking Capital (Ranked 3<sup>rd</sup> with a score of 18.6/30)**

Viking Capital proposes a purely financial program and exhibits the greatest amount of lending experience and financial capacity. Its program envisions a dual loan and grant program, sized up to a 45% debt-to-income ratio, that would allow the homeowner to rent at rates affordable to tenants earning 80% of AMI.

Leveraging its vast pool of lending partners, Viking Capital is offering to bring up to \$150,000 of funds per loan to the program. Along with or in place of a grant, Viking Capital offers the option to reduce the borrower's monthly debt service payment by using RDA funds to buy down the interest rate or cover lending fees. Viking Capital proposes vetting any ADU builders interested in being part of the program's list of vetted builders. This program would use RDA funds to give grants to homeowners, buy down interest rates, or cover lending fees. Viking Capital has not indicated having done prior lending work in Utah. Viking Capital proposes launching its program in 2025.

## Comparison Chart

	<b>CDC Utah</b>	<b>NeighborWorks Salt Lake</b>	<b>Viking Capital</b>
<b>Review Committee Score</b>	25.8 out of 30	21.3 out of 30	18.6 out of 30
<b>Loan Terms</b>	<p>Up to \$200,000</p> <p>30-year amortization</p> <p>5-year term with 5-year extension option</p> <p>3% fixed rate</p> <p>\$2,000 origination fee</p> <p>Interest only for first 12 months with a capitalized construction period interest reserve funded from loan proceeds.</p>	<p>Up to \$250,000</p> <p>&lt;80% AMI: recapture loan</p> <p>80-100% AMI: 50/50 recapture and below-market interest loan</p> <p>100-120% AMI: low-interest loan</p>	<p>Up to \$200,000</p> <p>6% fixed rate</p> <p>2-year term</p>
<b>Grant Terms</b>	Up to \$50,000	N/A	\$50,000 to \$100,000
<b>Other Services Included</b>	Required participation in landlord training and financial counseling programs.	<p>Pre-selected ADU builder (Strawtegi) with 3 ADU models</p> <p>Educational components and workforce development</p>	List of vetted ADU builders
<b>Outside Funding Committed</b>	\$0	\$1.5 million	Up to \$150,000 per loan
<b>RDA Funding Request</b>	\$2.9 million	\$2.9 million	\$2,325,000 (includes 2 years of operating expenses)
<b>Use of RDA Funds</b>	<p>Revolving loan fund</p> <p>Grant fund</p> <p>Loan loss reserve</p> <p>Program servicing</p>	<p>Loan fund</p> <p>Operating expenses</p> <p>Salaries and wages</p> <p>Office expenses</p> <p>Marketing</p> <p>Professional fees</p> <p>Partnership expenses</p>	<p>Operating expenses (marketing, administrative)</p> <p>Grant fund</p> <p>Interest rate buydown</p> <p>Lender and dealer fees</p>
<b>Affordability Compliance</b>	In-house, \$200/yr fee	In-house, \$50/yr fee	Not specified
<b>Marketing</b>	Web, social media, events, and community partnerships	Web, social media, events, community partnerships, and print flyers	Web, social media, direct mail
<b>Proposed Program</b>	2025	2025	2025

<b>Launch</b>			
<b>Projected ADUs Constructed</b>	15-20	10	60