



BOARD STAFF REPORT

THE REDEVELOPMENT AGENCY *of* SALT LAKE CITY

TO: RDA Board Members

FROM: Allison Rowland
Budget & Policy Analyst

DATE: February 13, 2024

RE: RESOLUTION: FUNDING ALLOCATION FOR GAP FINANCING FOR HIGH OPPORTUNITY AREAS

Item Schedule:

Briefing: February 13, 2024

Set Date: N/A

Public Hearing: N/A

Potential Action: TBD

ISSUE-AT-A-GLANCE

The Board will consider funding allocations and preliminary terms for two affordable housing projects located in “high opportunity areas” through the RDA’s Housing Development Loan Program (HDLP). Together, the two projects requested \$5.35 million in low interest loans, which exceeds the current allocation of \$2.7 million for this type of project. The allocation of funds for “high opportunity areas” dates from 2017, when the Board authorized \$4.5 million for projects located in neighborhoods that provide residents with improved chances at upward economic mobility, like good schools, public transit access, and health care facilities.

RDA staff plans to transmit the remaining HDLP Notice of Funding Availability (NOFA) applications for discussion in the March meeting. The Board could decide on the high opportunity applications at the February or March RDA meetings.

In summary, the two requests in high opportunity areas this year are:

- **515 Tower - Conversion Phase I** at 515 East 100 South. The request is for \$2,650,000 for 96 units of “shared-equity” affordable housing to be developed by the Perpetual Housing Fund of Utah. This developer also applied for competitive HDLP funding and would use any funds granted from either source for this project.
- **Fairmont Heights II** at 2257 South 1100 East. The request is for \$2,700,000 for affordable housing to be developed by Lincoln Avenue Capital. This developer also applied for \$3.2 million from the general competitive HDLP funding for their Fairmont Heights 1 project, for a total of \$5,900,000.

On February 1, the RDA Finance Committee recommended fully funding the 515 Tower - Conversion Phase I.



Goal of the briefing: Discuss the two applications for HDLP funding in high opportunity areas and consider approving funds for one or both of the projects.

BACKGROUND AND ADDITIONAL INFORMATION

A. Project Descriptions.

1. **515 Tower - Conversion Phase I.** This phase of this project would involve the adaptive re-use of a former office building at 515 East 100 South. The RDA loan of \$2,650,000 would help fund 96 units of affordable and deeply affordable units. One half of the total units (48) would have three or four bedrooms, with the remaining units mostly studios. The project received 9% Federal LIHTC housing credits. The interest rate would be 2% for this 15-year cash-flow loan. The Board priorities met with this project would be Family Housing, Target Populations (Deeply Affordable Units), Expand Opportunity, Adaptive Re-use, Transportation Opportunities, Commercial Vitality. *See additional information on Sources and Uses of funding for this project below.*

This project would be the first to be developed through the recently created Perpetual Housing Fund of Utah, which purchased this property with funded with a \$10 million allocation from the City's American Rescue Act Plan (ARPA) funds. Under a "shared-equity" model, 75% of any profits or appreciation for this phase of the development would be shared among the residents through a tenant wealth-building program.

This developer also applied for competitive HDLP funding and stated that it would use any funds granted from either source for this project.

PERMANENT SOURCES

Source	Amount	% of Total
Senior Debt	\$6,508,958	16.7%
RDA Loan	\$2,650,000	6.8%
OLWHLF	\$1,000,000	2.6%
Utility Rebates	\$76,800	0.2%
LIHTC Equity	\$27,696,083	71%
SLCO ARPA Grant	\$598,584	1.5%
Deferred Fee ¹	\$500,000	1.3%
Total	\$39,030,425	100%

USES

Use	Amount	% of Cost
Land	\$16,000,000	41.0%
Hard Costs	\$15,466,320	39.6%
Soft Costs	\$1,097,907	2.8%
Developer Fee	\$2,249,922	5.8%
Financing Expense	\$1,921,418	4.9%
Contingency	\$1,686,134	4.3%
Reserves	\$608,724	1.6%
Total	\$39,030,425	100%

2. **Fairmont Heights II.** This project would use \$2,700,000 of HDLP funds for affordable senior housing at 2257 South 1100 East. Fifty-five one- and two-bedroom units would be constructed, including five units reserved for people who have experienced chronic homelessness, five units for mobility impaired individuals, and nine units for people with disabilities. The interest rate would be 1% for this two-year acquisition loan with a balloon payment or conversion at the end of that period. The Board priorities met with this project would be Target Populations (Deeply Affordable Units), Expand Opportunity, Transportation Opportunities, Architecture and Urban Design. *See additional information on Sources and Uses of funding for this project below.*

The developer, Lincoln Avenue Capital seeks an acquisition-to-permanent financing loan, which means initial funds would be used to buy the property. The developer would need to obtain tax credits, financing, and building approvals within two years, or would be required to repay that loan. If the developer succeeds, the acquisition loan could be converted to a long-term (permanent) loan

The developer also applied for \$3.2 million from competitive HDLP funding for their Fairmont Heights 1 project, which is on the same property, for a total of \$5.9 million.

ACQUISITION SOURCES

Source	Amount	% of Total
RDA -HDLP Competitive	\$3,200,000	45.1%
RDA High Opp Funds	\$2,700,000	38.1%
HASLC Cash	\$800,000	11.3%
LAC Cash	\$390,000	5.5%
Total	\$7,090,000	100%

ACQUISITION USES

Source	Amount	% of Costs
Acquisition	\$7,000,000	98.7%
Insurance	\$40,000	0.6%
Closing Costs	\$50,000	0.7%
Total	\$7,090,000	100%

PERMANENT SOURCES

Source	Amount	% of Total
Senior Debt	\$3,790,000	11.1%
RDA Loan	\$2,700,000	7.9%
Utility Rebates	\$142,500	.42%
LIHTC Equity	\$26,147,384	76.9%
Deferred Fee	\$1,229,257	3.6%
GP Capital Contribution	\$100	0.0%
Total	\$34,009,242	100%

PERMANENT USES

Use	Amount	% of Cost
Land	\$3,500,000	10.3%
Hard Costs	\$23,702,904	69.7%
Soft Costs	\$898,000	2.6%
Tax Credit Fees	\$308,375	.9%
Developer Fee	\$3,091,512	9.1%
Financing Expense & Reserves	\$2,146,018	6.3%
Escrow & Reserves	\$362,432	1.1%
Total	\$34,009,242	100%

B. Background.

- Housing Development Loan Program (HDLP) Policy.** The HDLP provides low-interest loans to incentivize the development and preservation of affordable housing in Salt Lake City. Each year, RDA staff presents a Housing Development Funding Strategy that proposes funding priorities and allocations, as well as projecting revenues for the upcoming fiscal year. The process is designed to provide flexibility for meeting current needs, leverage current opportunities, coordinate with other City resources, and shift funding priorities to reflect evolving plans and policies.
- Housing Priorities for Fiscal Year 2024.** Applicants are required to meet the requirements laid out in the RDA's HDLP Guidelines and Application Handbook, as well as the annual housing priorities set by the Board. For FY24, at least one of the following had to be met to qualify for consideration for funding:
 - Deeply Affordable Housing Threshold Requirement:** at least 10% of the total residential units shall be income and rent restricted to households earning 40% of the area median income AND deed restricted for both rent and income
 - Family Housing Threshold Requirement:** a minimum of 10% of the total residential units shall have three or more bedrooms and shall be income and rent restricted to those earning 60% AMI and below, with AMI limits as established by HUD.
- High Opportunity Areas.** In 2017, the RDA Board allocated \$4.5 million to incentivize the development and preservation of affordable housing located within High Opportunity Areas. The High Opportunity Area map was updated in 2023, to reflect newer data and metrics, which resulted in an expanded area that qualifies for these funds.

POLICY QUESTIONS

- Does the Board wish to be informed of the RDA staff recommendations for other HDLP loans before making decisions on these two high-opportunity area projects?***

- 2. If the Board chooses to fully fund the 515 Tower - Conversion Phase I at the requested amount of \$2,650,000, would it like to consider moving the \$50,000 to the regular HDLP funding balance to help fund other affordable housing projects?***