



BOARD STAFF REPORT

THE REDEVELOPMENT AGENCY *of* SALT LAKE CITY

TO: RDA Board Members

FROM: Allison Rowland
Budget & Policy Analyst

DATE: April 16, 2024

RE: INFORMATIONAL: PROPOSED HOUSING DEVELOPMENT FUNDING PRIORITIES FOR FISCAL YEAR 2024-25

Item Schedule:

Briefing: April 16, 2024

Set Date: N/A

Public Hearing: N/A

Potential Action: April 16, 2024

ISSUE-AT-A-GLANCE

This briefing is designed as a follow-up discussion of the RDA *Fiscal Year 2024-25 (FY25) 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 RDA 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 RDA revenue to each of four **Housing Funds** (Primary Housing Fund, Secondary Fund, Westside Community Initiative Fund, and Housing Development Loan Fund).

For FY25, RDA staff proposes maintaining three of the four Housing Priorities that were adopted by the Board last year (with minor modifications), and potentially adding two more, as shown below.

- FY24 and FY25 Threshold Priorities: Deeply Affordable Housing; Affordable Family Housing; Wealth Building Opportunities.
- Proposed Additional FY25 Priorities: Neighborhood Commercial and Services; Expand Opportunity.
- Proposed Removed Priority: The FY24 Missing Middle Housing has been mostly subsumed into the Wealth-Building Opportunities for FY25.

Unlike in past years, RDA staff was not able to provide current information on fund balances and encumbered funds within the four Housing Funds, since current and previous year's accounts are being reconciled in the new Workday system. RDA staff does plan to present their specific funding allocations among the Housing Activities this year (Step 2 in the process above) as a part of the annual budget discussions in May, along with projected revenue for allocations to each of the four RDA Housing Funds. The Board still could consider discussing



allocating funding to these Housing Activities as a preliminary step, for example, by speaking in terms of percentages of the total funding amount for each (see Policy Question 1, below). Both the proposed total funding dedicated to affordable housing projects, and the allocation of this amount among different program categories are subject to Board approval as part of the RDA’s annual budget process.

Goal of the briefing: Discuss and consider adopting the proposed Fiscal Year 2025 Housing Priorities and potentially discuss allocation among Housing Activities to provide direction to RDA staff.

BACKGROUND AND ADDITIONAL INFORMATION

A. FY25 Proposed Funding Priorities and FY24 Results. For FY25, RDA staff proposes the following annual Housing Priorities, which include two new Priorities for Board consideration. The annual Priorities are particularly relevant to the 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 contribute three points to the score calculated in the NOFA to help assess applications and potentially qualify them for interest rate reductions.

1. **Deeply Affordable Housing:** This priority would remain the same as in FY24, providing incentives to construct housing units that are affordable to people earning 40% of Area Median Income (AMI) or less. For FY24, RDA loans were awarded to projects that will provide approximately 430 new units priced at 40% AMI or below.
2. **Affordable Family Housing with Amenities for Children:** This priority would remain basically the same as in FY24, subsidizing the construction of units with three or more bedrooms, and adding the requirement that developments must include “amenities for children.” In FY24, RDA loans will help provide approximately 264 units with three or more bedrooms.
 - ***There Board may wish to have further discussion about the differences between amenities that would qualify as “for children,” and those that are “family-oriented.”*** The City’s affordable housing programs generally follow Federal Housing and Urban Development (HUD) guidelines, and these state that “any group of people that present together for assistance and identify themselves as a family, regardless of age or relationship or other factors, are considered to be a family and must be served together as such.” HUD also notes that discrimination is prohibited “against a group of people presenting as a family based on the composition of the family (e.g., adults and children or just adults), the age of any member’s family, the disability status of any members of the family, marital status, actual or perceived sexual orientation, or gender identity.”
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. As RDA staff researches and compiles information related to wealth-building and shared equity programs, they have refined this category to include supplemental income opportunities, stipends for renters, cooperative housing, and more. Last month, the Board approved an additional \$2.65 million for the rehabilitation of the 515 Tower project as part of the FY24 High Opportunity NOFA.
 - ***The Board may wish to consider discussing in more detail how “wealth building” is identified, given recent examples of potential projects.***

RDA staff has noted in the past that home ownership projects can fail to qualify for Housing Development Loan Program funding because:

“[G]uidelines state that RDA funds should be limited to 10% or less of the project’s financing sources, but 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 RDA financing allowed for homeownership projects? Alternatively, the Board could request RDA staff analyze options to address this limitation based on recent potential projects, and report back to them in a future meeting.***

4. **Neighborhood Commercial and Services.** This proposed Priority would be a new addition for FY25. It would support neighborhoods by promoting the construction of commercial spaces, like retail, food services, and daycare. The Board indicated preliminary support for this priority in the March 2024 meeting.

5. **Expand Opportunity.** In the transmittal for the Board’s April meeting, RDA staff proposes adding “Expand Opportunity” to the Priority list as a way to indicate its continued support for expanding affordable housing in Eastside neighborhoods. They note that the FY24 NOFA allocated nearly all the remaining funds that were specifically allocated to this goal in 2016, but the Board may still wish to express its support for these types of projects, as well as provide such projects with additional points in the NOFA.

➤ ***Does the Board wish to modify any items on the proposed list of FY25 Priorities? If not, a strawpoll may be in order.***

B. Limitations of the Project Scoring Process. In a 2023 discussion, RDA 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 FY24 Affordable Housing Funds Guidelines and Application Handbook, as follows:

1. Alignment with project priorities.
2. Content and quality of the project narrative.
3. Qualifications and experience of the applicant and development team.
4. Content, effectiveness, and appropriateness of the budget, sources and uses, operating proforma, and related assumptions.
5. The readiness of the project to proceed to construction.
6. 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 the apparent mismatch between the more heavily weighted Priorities and other review standards may be remedied, and how to expand opportunities for RDA funding to a wider variety of developers. The Board may wish to ask RDA 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 RDA staff conduct a deeper analysis of these issues and report back to them in a future meeting.***

- *Some Board Members also have noted that the scoring process may inadvertently skew funding to larger, more experienced developers. **The Board may wish to discuss whether it makes sense to have a separate pool of funding and/or scoring criteria that would be available and potentially more appropriate for smaller project developers (particularly those that may be eligible based on the City’s recent Affordable Housing Incentives Ordinance).***

C. Board Prerogatives. After adopting the annual *Housing Development Funding Strategy*, the RDA 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 RDA’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

Housing Fund Balances. As noted earlier, Housing Fund balances, including encumbered funds, will be discussed as part of the May Board meeting.

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, RDA 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. RDA 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 RDA 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 Fund 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 RDA 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 RDA staff on guiding policies for the Westside Community Initiative.***
- 4. For the FY22 Housing Funding Strategy, the Board requested RDA staff research and consider alternative ways to encourage ADU construction across the City. In FY24, RDA staff drafted an RFQ to determine partners and program ideas for an ADU financing program within the 9 Line Project Area. **The Board may wish to request updates on this process. In addition, the Board may wish to ask specifically whether RDA staff has found ways to further the City's equity goals through programs to assist homeowners to build ADUs.*****