



BOARD STAFF REPORT

THE REDEVELOPMENT AGENCY of SALT LAKE CITY

TO: RDA Board Members

FROM: Allison Rowland
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DATE: March 19, 2024

Item Schedule:

Briefing: March 19, 2024
Set Date: N/A
Public Hearing: N/A
Potential Action: March 19, 2024

RE: RESOLUTION: HOUSING DEVELOPMENT LOAN FUNDING ALLOCATIONS FOR AFFORDABLE HOUSING

ISSUE-AT-A-GLANCE

The Board will review and potentially approve recommendations for allocating up to \$15.4 million in affordable housing funds offered through a Notice of Funding Availability (NOFA) issued last year. The purpose of these low-interest loans is to incentivize the inclusion of affordable housing in new construction and in preservation/rehabilitation projects. The unusually large size of this NOFA allocation reflects the combination of \$4.2 million in committed RDA funds with \$9.5 million of “dormant” Federal Housing and Urban Development (HUD) Home Investment Partnership (HOME) funds, which were shifted by the Council from the Housing Stability Division to the RDA’s Housing Development Loan Program (HDLP) in the Fiscal Year 2024 (FY24) budget. In addition, RDA staff proposes including another \$1.7 million of additional funding to the NOFA from two rescinded FY23 HDLP loans.

The 15 applications forwarded to the Board requested a total of nearly \$27.5 million, and the RDA Finance Committee recommended funding 14 of these (see Attachment C1 for summary). In addition, two applications were received in response to a separate NOFA specifically for projects in High Opportunity Areas. These two applications were discussed in the February RDA meeting but the Board deferred action to be able to make funding decisions in the context of all the projects at once. The Board makes the final determination of which applications to fund and for what amount. Together, the projects recommended for funding would provide 1,540 units of new or refurbished affordable housing.

Goal of the briefing: Discuss and consider adopting the Resolution entitled Affordable Housing – FY2023-2024 Competitive Housing Development Loan Program (HDLP) Funding Allocations.



ADDITIONAL INFORMATION

A. Process Overview. Since 2018, the RDA has released multiple NOFAs to facilitate the development of affordable housing units in Salt Lake City. This year, the 15 “competitive” HDLP applications recommended to the Board requested a total of nearly \$27.5 million. RDA staff indicated that five other applications also were submitted but because they did not meet the eligibility criteria for NOFA funds they were not included in the ranking process (see Attachment C2).

All eligible applications were reviewed and ranked by the RDA Finance Committee, and their specific recommendations for allocating \$15.1 million of the \$15.4 million available are summarized in Attachment C1. Of the 15, all but one (Bumper House) were recommended for HDLP funding. Nine of these were recommended for the full amounts requested, and five were recommended for less than the full amount. A summary of all 20 applications appears in Attachment C1.

The NOFA recommendations reached the Board in March this year, rather than earlier, due to the incorporation of the dormant HUD HOME funds, which involved determining a process that would comply to Federal regulations. The FY24 NOFA was released on November 17, 2023, and applications were due on January 3, 2024.

B. Available Funding. The \$15.4 million funding available this year includes \$4.2 million approved by the Board in 2023 as part of the FY24 RDA budget, plus one-time funding provided by the Council’s allocation of \$9.5 million in dormant HUD Home Investment Partnership (HOME) funds from the Housing Stability Division. If the Board chooses, an additional \$1.7 million, which became available when loans for two projects approved last year were rescinded (see below), would also be included.

FY24 HDLP Funding Sources	Total Available	Recommended Funding	Funds Remaining
RDA Committed Funds	\$4,241,714	\$4,241,714	\$0
Possible Additional RDA Funds	\$1,665,000	\$1,665,000	\$0
HOME Program Income	\$6,939,710	\$6,939,710	\$0
HOME Development Fund	\$726,291	\$726,291	\$0
HOME ARP Development	\$1,501,608	\$1,501,608	\$0
HOME Community Housing Development Organization Funds	\$351,841	\$0	\$351,841
Total Potential HDLP Funds	\$15,426,164	\$15,074,323	\$351,841

In FY23, two HDLP awardees (for Liberty Corner and Book Cliffs Lodge) failed to receive 9% tax credits through LIHTC, the Federal Low-Income Housing Tax Credit in the subsequent allocation cycle, which was a condition of the loans. Both these projects applied for HDLP funds again in FY24, as can be seen in Attachment C1, and Liberty Corner was since awarded 4% LIHTC credits. Book Cliffs Lodge plans to use other funding sources for their project.

The \$351,841 remaining in the HDLP results from receiving no applications that would meet the relatively narrow criteria for the HOME Community Housing Development Organization Funds. These funds may be used only for projects that are owned, developed, or sponsored by a nonprofit that qualifies as a Community Housing Development Organization (CHDO), as defined in Federal regulations. The Housing Stability Division in the Community and Neighborhoods Department (CAN) has worked to recruit new CHDOs over the years, but local organizations typically do not meet the regulatory requirements. Still, since no qualified applications for these funds have been received in the past two years, HUD regulations will now allow them

to be recaptured and proposed for reallocation during the next annual HUD application process through the HDLP as regular HOME funds.

- C. Project Evaluation.** As part of the application review process, RDA staff first analyzes applications to ensure they meet the HDLP eligibility requirements. The RDA Finance Committee (see below) then considers the Board’s funding priorities, along with factors related to the feasibility and technical qualities of each application. These include developer experience, the completeness and quality of the application, the amount of requested funding per affordable unit, the unit mix, community impact, and the financial and regulatory readiness of the proposed project.

This year, the Finance Committee recommended full funding for the five applications that ranked most highly. For the next eight highest-ranked applications, the Finance Committee considered the minimum funding needed for the projects to advance, as reported by the applicants. RDA staff reported, “This approach recognized the readiness of the top ranked applications while providing at least minimum funding needs to most other projects.”

The only project that the Finance Committee did not recommend for any funding was Bumper House which had the lowest Weighted Project Priority Score of all the applications.

- D. Applications for Projects in High Opportunity Areas.** The 515 Tower - Conversion Phase I, which the Board was briefed on in February, is included on the list of recommended projects. It ranked third among the 14 projects recommended by the RDA Finance Committee. Funding for this project would be drawn from the High Opportunity Areas HDLP—or, if the Board prefers, it could award funding to the other application received, for Fairmont Heights II. These two applications were discussed in the February RDA meeting but the Board deferred action to be able to make funding decisions in the context of all of the projects at once.

Summaries of the two applications in high opportunity areas are below. Additional information can be found in the Board staff report for that item, which is included as Attachment C2.

1. **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. On February 1, the RDA Finance Committee recommended fully funding the 515 Tower - Conversion Phase I.
2. **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 I project, for a total of \$5,900,000. This project did not apply for general HDLP funding, but a related project planned for the same property did. Fairmont Heights I ranked second-to-lowest among the other applications, but was recommended by the RDA Finance Committed for a \$1 million loan.

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. Two years later, the Board approved a \$1.8 million loan for the Richmond Flats development, leaving the current balance at \$2.7 million.

E. Potential Additional City Funding. Two of the projects in the HDLP application pool also applied for Fiscal Year 2025 HUD grant funding.

1. **Alliance House 1805 Rebuild.** In addition to the \$500,000 recommended for the Alliance House 1805 Rebuild, the project applied for two of the City's annual HUD grants, which the Council is currently considering. It was recommended for partial funding for both these grants:
 - CDBG Housing: recommended to receive \$221,000 of \$300,000 requested to demolish and rebuild the existing facility with 16 deeply affordable housing units.
 - HOME-ARPA: recommended to receive \$97,000 of \$150,000 requested to provide short-term rental assistance to the current residents while the housing structure is demolished and rebuilt.
2. **New City Plaza Apartments.** Along with the \$895,000 recommended for the New City Plaza Apartments the project also applied for \$2 million from the City's annual HUD grants. Neither the resident advisory board nor the Mayor recommended funding this project.

POLICY QUESTIONS

1. Some Board Members have mentioned an interest in exploring how ownership units might be funded through the RDA. ***The Board may wish to discuss questions like those listed below.***
 - a. Is the HDLP structured in a way that facilitates applications for home ownership projects?
 - b. Are there differences between rental projects and home ownership projects, for example, income and wealth levels of potential residents, unit sizes, etc.?
 - c. What are the potential benefits and disadvantages for the City of funding home ownership projects versus rental projects?
 - d. Are there models of home ownership or wealth-building that Board Members have encountered elsewhere which they would like RDA staff to research?
 - e. Would the Board like to schedule an RDA briefing on options for promoting home ownership?
2. The projects reviewed by the RDA Finance Committee would be charged interest rates that range from 1% to 2.5%. In the context of continued high interest rates in the broader economy (relative to recent previous decades), ***would the Board like to discuss the potential advantages and disadvantages of changing how the Base Interest Rate is set for HDLP loans?***

ATTACHMENTS

Attachment C1. Summary of RDA Finance Committee Recommended FY24 HDLP Funding.

Attachment C2. Applications that Did Not Meet FY24 HDLP Eligibility Requirements.

Attachment C3. RDA Board Staff Report, *Funding Allocation for Gap Financing for High Opportunity Areas*, February 13, 2024.