



BOARD STAFF REPORT

THE COMMUNITY REINVESTMENT AGENCY of SALT LAKE CITY

TO: RDA Board Members

FROM: Allison Rowland
Budget & Policy Analyst

Item Schedule:

Briefing: March 18, 2025
Set Date: n/a
Public Hearing: n/a
Potential Action: March 18, 2025

DATE: March 18, 2025

**RE: RESOLUTION: ACCESSORY DWELLING UNIT (ADU) FINANCING PROGRAM
ALLOCATION FOR FISCAL YEAR 2024-2025 FUNDS**

ISSUE AT-A-GLANCE

The Community Reinvestment Agency (CRA) Board will consider adopting a resolution that defines the terms of a homeowner financing program designed to encourage the construction of Accessory Dwelling Units (ADUs) in the 9-Line Project Area and other Westside locations. A proposal from the Community Development Corporation of Utah (CDCU) to administer an ADU Financing Program was unanimously recommended by the RDA Finance Committee in late 2024 as the result of a competitive Notice of Funding Availability (NOFA). In the December 2024 Community Reinvestment Agency meeting, the Board directed RDA staff to negotiate a final agreement to fund this \$2,913,215 program with \$1.9 million in 9-Line CRA Project Area funds and \$1 million in Housing Development funds, which could be used anywhere west of the I-15 freeway.

Goal of the briefing: Review the terms of the proposed ADU Financing Program and consider adopting the resolution that defines how the Community Development Corporation of Utah will operate the program.

ADDITIONAL AND BACKGROUND INFORMATION

- A. **CDCU Program.** The Community Development Corporation of Utah would provide qualified homeowners with financial assistance for the construction of ADUs which would be offered as rental units on the homeowners' properties. 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. The CRA would disburse funds to CDCU on a per-project basis, and quarterly progress reports would be provided to the CRA. The deadline for spending the funds is June 30, 2027, and any funds not distributed by that date would revert to the CRA.



1. **Construction.** CDCU anticipates facilitating the construction of 15-20 ADUs during the two-year pilot program. Homeowners would be required to comply with all local, state, and federal regulations, including zoning, environmental, and fair housing laws. Detached ADU projects would comply with the CRA Sustainable Development Policy, which requires all new construction projects to achieve a “Designed to Earn the ENERGY STAR” score of 90 or more and be designed to operate without onsite fossil fuel combustion.
 2. **Homeowner Incomes.** 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 provide compliance monitoring, as well as a website for applications to the program, and would market it through websites, social media, events, and community partnerships.
 3. **Loan Terms.** A qualified homeowner would be eligible for a loan of up to \$200,000 with 30-year amortization, a five-year term, and a 3% fixed interest rate. At the end of the five years, the homeowner could request a five-year extension or choose to make a balloon payment for the remaining balance. The latter would include a discount of 10% on the outstanding payoff amount, provided affordability requirements had been met. CDCU would charge standard fees for loan origination, annual income verification, and ongoing compliance monitoring.
- B. **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. 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 was \$652,769, which suggests the CRA would gain about \$65,000 per year more in RDA 9-Line Project Area increment collection.

POLICY QUESTIONS

1. The Board may wish to ask CRA staff whether deed restrictions would be placed on the property of participating homeowners, and whether there would be restrictions on selling the property during the loan periods.
2. What happens when rental receipts push a homeowner’s income above the 80% AMI threshold? Is this amount deducted from the AMI calculation?
3. Would the Board like to consider eventually extending the ADU program to certain high-opportunity areas beyond the Westside? It could be attractive to long-time owners, like seniors, who may meet the income limitations of the program. If so, the Board might also wish to request updates to the underlying data used to determine the location and boundaries of the City’s high- opportunity areas.