



DEPARTMENT of ECONOMIC DEVELOPMENT

REDEVELOPMENT AGENCY STAFF MEMO

DATE: October 24, 2019

PREPARED BY: Tracy Tran and Tammy Hunsaker

RE: Consideration and Adoption of a Resolution Approving Funding Allocation from Notice of Funding Availability for Affordable Housing in a High Opportunity Area

REQUESTED ACTION: Consider approving affordable housing funding allocation for Richmond Flats located at approximately 2960 S Richmond St.

POLICY ITEM: Affordable housing.

BUDGET IMPACTS: \$1,800,000 of the \$4,500,000 funds set aside for Notice of Funding Availability for Affordable Housing in High Opportunity Areas.

EXECUTIVE SUMMARY: On June 24, 2019, The Redevelopment Agency of Salt Lake City ("RDA") issued a Notice of Funding Availability ("NOFA") to solicit applications for \$10,746,096 available to incentivize the development and preservation of affordable housing. Of the total amount, \$4,500,000 is reserved for projects located in high opportunity neighborhoods, or neighborhoods that provide access to resources that improve chances at upward mobility. The remaining \$6,246,096 was available for projects located anywhere within Salt Lake City municipal boundaries. On September 24, 2019, The RDA Board of Directors ("Board") allocated \$6,106,000 of the \$6,246,096 towards four projects for affordable housing projects located within the City.

The \$4,500,000 in funding for high opportunity areas is still available. The Board directed staff to continue to solicit applications for projects within high opportunity areas on an ongoing basis until funds are expended. The subject application, a \$1,800,000 loan request from Community Development Corporation of Utah ("Applicant") for a project to be located at 2960 South Richmond Street, is the first application within a high opportunity area that has been forwarded to the Board.

The NOFA is being administered pursuant to the Affordable Housing Notice of Funding Availability Policy ("Policy"), resolution R-17-2018. Pursuant to the Policy, the RDA administered a competitive and transparent application process. Due to barriers in implementing affordable housing projects in high opportunity neighborhoods, the RDA will continue to accept applications for projects located in these areas of the city on an open-ended basis.



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The RDA has evaluated the application submittal and convened the RDA Finance Committee (“Committee”) to review and to provide a recommendation for funding. This memorandum includes a summary of the application and the Committee’s recommendation for the Board’s consideration.

RDA FINANCE COMMITTEE RECOMMENDATION: On October 15, 2019, the Committee recommended to approve the funding with additional milestones included within the conditional commitment period, as incorporated into *Attachment D: Resolution*.

SUMMARY OF APPLICATION: An overview of the submitted application is as follows:

Project	Richmond Flats
Applicant	Community Development Corporation of Utah (CDCU)
Requested Amount	\$1,800,000
Address	2960 S Richmond St
Type of Funds Requested	Site Acquisition
Request as % Total Cost	13.8%
Citywide/High Opportunity Area	High Opportunity Area
City Funds/Unit	\$30,000
City Funds/Affordable unit	\$30,000
Total Project Cost	\$13,000,000
Units: 41-60% AMI	60
Total Units	60
% Affordable	100%

The Applicant has entered into a purchase and sale agreement for acquisition of 1.42 acres of property located at 2960 South Richmond Street (“Property”). If awarded the requested \$1,800,000 funding commitment, the Applicant will continue with due diligence and predevelopment efforts and will close on the Property once it has been rezoned from R-1-7000 to zoning that allows for multi-family and/or mixed-use development. In addition, the Applicant will not close on the Property until low income housing tax credits (“LIHTC”) have been awarded and sufficient financing has been obtained. These efforts are anticipated to take up to 24 months to complete.

Prior to the end of the proposed 24-month conditional commitment period and loan closing, RDA staff will ensure that the rezone has been complete, ensure the project meets the objectives of the Policy, and finalize loan terms and conditions based on the project’s financial need. Preliminary loan terms and conditions are as follows:

- Amount: \$1,800,000
- Term: 30 years
- Interest Rate: 1-3% depending on project capacity for repayment
- Repayment: Cash flow
- Other Conditions: Prior to closing on the loan, the following conditions shall be met:
 - Property to be rezoned
 - Applicant to obtain tax credits and senior financing
 - RDA to approve the final financing package and development plan
 - Applicant to receive all other City/RDA approvals
 - The final loan terms and conditions are reviewed and approved by the RDA Finance Committee
 - Conditional commitment shall be 24 months with milestones

An overview of salient information in the application has been provided as *Attachment A: Project Summary*.

ANALYSIS & ISSUES: An overview of the NOFA application process

I. Application Process

The RDA solicited applications as follows:

- **Citywide Funds:** Applications were solicited on a time-limited basis, with a call for applications released on June 24, 2019 and an application deadline of August 16, 2019.
- **High Opportunity Funds:** Applications are being solicited on an open-ended basis due to challenges with implementing affordable housing projects in high opportunity areas.

On July 10 and July 18, 2019, the RDA hosted in-person informational meetings to provide an overview of the NOFA application, requirements, and selection process. Other outreach formats included press releases, website and email communications, social media, and notifications through secondary outlets.

II. Funding Priorities and Project Evaluation

As part of the application review process, RDA staff analyzed the application according to the Policy's funding priorities. These funding priorities are based on affordable housing policy statements established by the Salt Lake City Council ("Council") and included as part of *Growing SLC: A Five-Year Housing Plan*. Refer to *Attachment B: Funding Priorities* for additional information.

The subject project meets the following funding priorities:

- ***Equity / Geographic Distribution:*** The subject property is located within a high opportunity area that encourages geographic distribution of affordable housing throughout Salt Lake City.
- ***Diversity and Innovation of Housing Types:*** The subject project will include a variety of housing types, three to four bedroom units, and will be designed with high-quality and innovative construction materials.
- ***Long-term Affordability:*** The project will have long term affordability restriction of a minimum of 50 years.

III. Funding Allocations, Conditional Commitment, and Loan Closing

Pursuant to the Policy, the Board will make the final determination to fund. Subsequently, the RDA will issue a conditional commitment letter for funding. The conditional commitment letter between the RDA and the applicant will contain the covenants, terms and conditions upon which the RDA will provide financial assistance to the proposed project once financial, legal, regulatory, and design approvals are obtained. Prior to closing on a loan, RDA staff will ensure that the project is financially viable, underwriting standards are met, and the use of public funds is necessary for the project to succeed.

PREVIOUS BOARD ACTION:

- June 2019: The Board adopted the 2019-2020 budget, which allocates \$1,109,641 for a citywide NOFA.
- April 2019: The Board adopted the fourth budget amendment for FY 2018-2019, which includes \$5,136,455 for a citywide NOFA.
- June 2018: The Board adopted policy guidelines and funding priorities for the NOFA.
- December 2017: The Board adopted the third amendment for FY 2017-2018, which includes \$4,500,000 for a high opportunity area NOFA.

ATTACHMENTS:

- A. Project Summary
- B. Funding Priorities
- C. High Opportunity Map
- D. Resolution

ATTACHMENT A: PROJECT SUMMARY



NOFA
AFFORDABLE HOUSING

PROJECT NAME: Richmond Flats
ADDRESS: 2960 S Richmond St

OVERVIEW:

DEVELOPER:	Community Development Corporation of Utah (CDCU)
REQUEST TYPE:	Site Acquisition
PROJECT TYPE:	New Construction
EXISTING LAND USE:	Residential 4-plex

HOUSING UNITS: 60 TOTAL

TYPE	>60% AMI	60 - 41% AMI	≤40% AMI
Studio	0	0	0
1-Bed	0	15	0
2-Bed	0	25	0
3-Bed	0	10	0
4-Bed	0	10	0
TOTAL	0	60	0

TIMELINE:

Commence Construction	August 2020
Complete Construction	June 2022

FUNDING REQUEST:

NOFA REQUEST		TOTAL PROJECT COST
\$1,800,000	13.8%	\$13,000,000

PROPOSED TERMS:

Interest Rate:	2.0%
Term:	30 years
Amortization:	30 years
Hard/soft Repayment:	Soft
Repayment Priority:	Cashflow repayment

TAX CREDITS:

Applying for Tax Credits (Y/N):	Yes, 4%
Tax Credits Awarded (Y/N):	Not Yet

DOES THE PROJECT MEET NOFA THRESHOLD REQUIREMENTS?: YES

PROJECT SUMMARY:

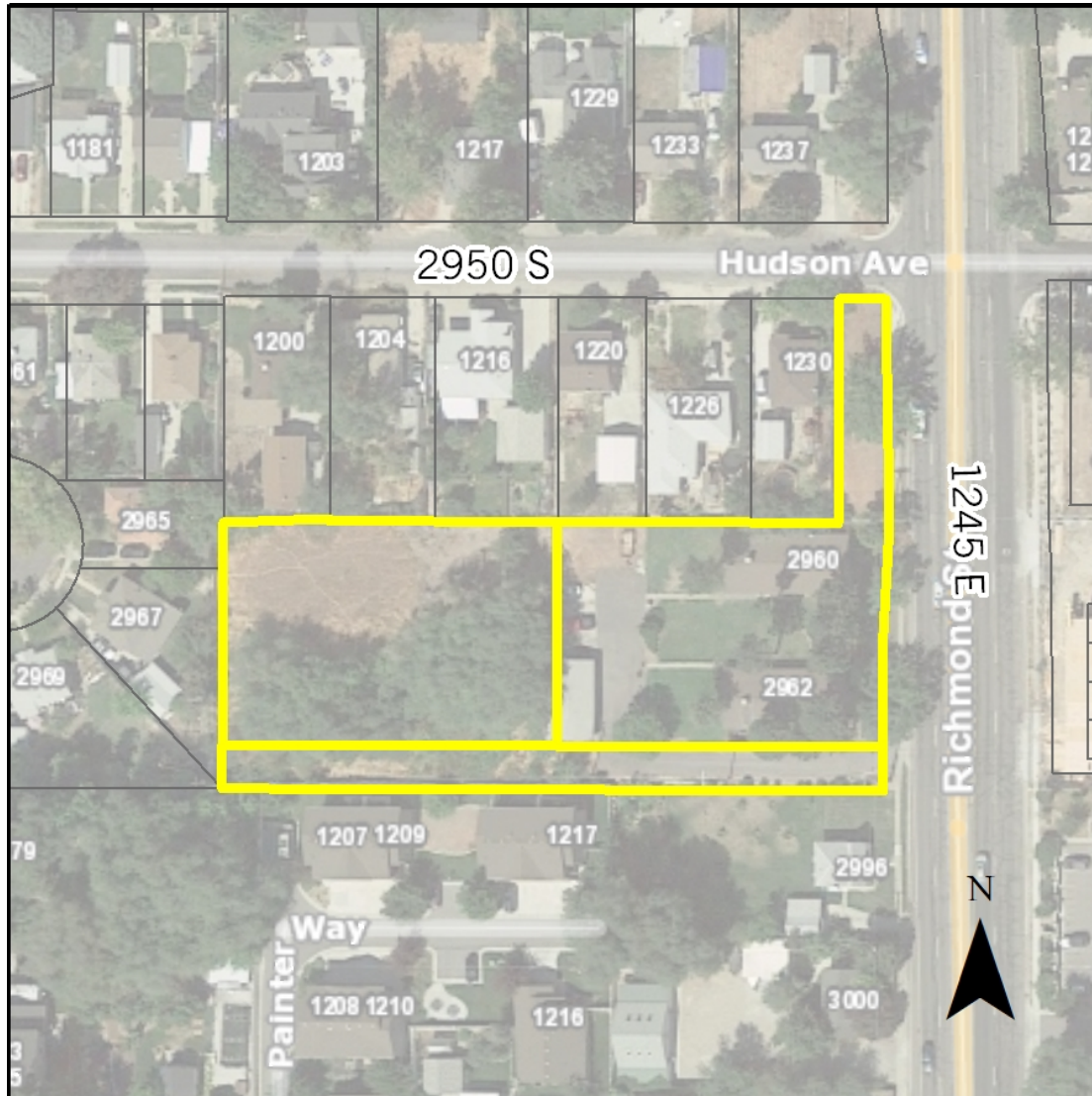
The project is located on the City's border, adjacent to the newly incorporated town of Millcreek. Located on 1300 East (Richmond St), this area of the city is transforming from a single-family zone into a more urban core of Millcreek. Identified as a high opportunity area, CDCU would like to develop affordable workforce and family rental housing that is very difficult to find in this east side area of the city. As a medium density project, the vacant parcels will be developed to incorporate a missing middle housing type that will blend the single-family zone with the urban density envisioned in Salt Lake's Brickyard area. The proposal will require a re-zone of the subject properties.

DEVELOPER SUMMARY:

CDCU has developed single family homes for over 28 years. Within the last couple of years, CEO, Mike Akerlow has moved the organization to become a broader community developer. CDCU will develop and preserve a wider spectrum of housing to include permanent supportive housing, transitional, missing middle and multi-family housing. CDCU recently purchased 23 multi-family units in downtown Salt Lake.

Fulfilling a preservation strategy, CDCU is actively pursuing existing multi-family projects throughout the City. For new multi-family development, CDCU will leverage local partnerships with builders, service providers and management companies to complete the development. As a tax credit project, CDCU may partner with an additional firm that has experience with financing and developing this type of project.

SITE MAP:

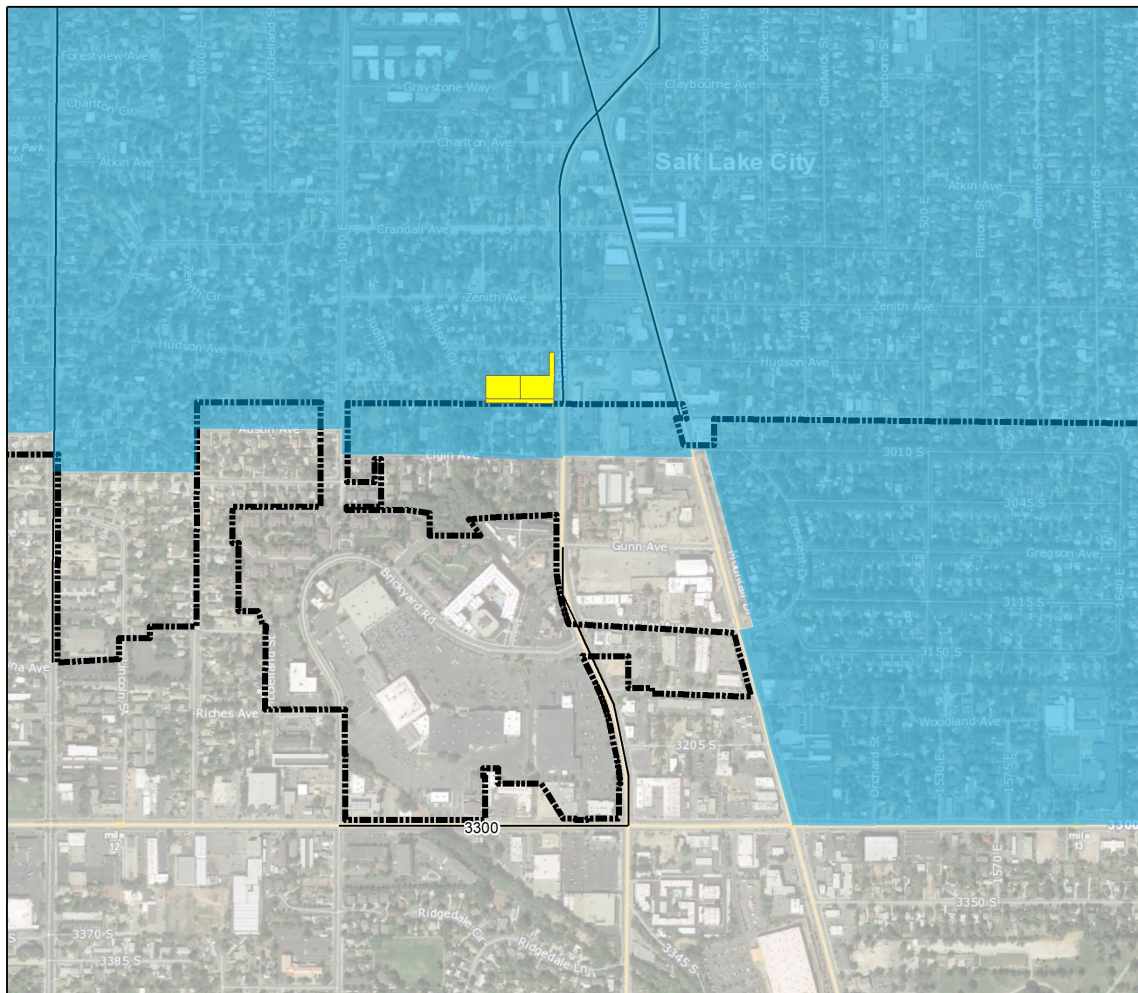


PROJECT RENDERINGS: None provided.

ATTACHMENT B: FUNDING PRIORITIES

1. *Transit Proximity:* Priority will be given to projects that are located within 1/2 mile walking distance of a TRAX station, S Line station, or other station/stop on a frequent transit network line as identified in the Transit Master Plan to encourage access to public transit.
2. *Equity / Geographic Distribution:* Priority will be given to projects located within High Opportunity Areas to encourage geographic distribution of affordable housing throughout Salt Lake City. High Opportunity Areas shall be defined as geographical locations within the city that provide conditions that expand a person's likelihood for social mobility as identified through an analysis of quality-of-life indicators.
3. *Mixed Income:* Priority will be given to projects that are mixed-income and diversify the economic mix of the neighborhood to promote economically-integrated communities. All projects shall have a mix of affordable and market-rate units. Projects located within a High Opportunity Area shall have a higher percentage of affordable units, while projects located in areas with a concentration of affordable housing shall have a lower percentage of affordable units.
4. *Displacement Prevention:* Priority will be given to projects that limit, prevent, or successfully mitigate the displacement of existing affordable housing units and/or low-income residents to avert low-income households from being impacted by development activities. Projects shall be designed to minimize the displacement of low income individuals and families, and, if displacement occurs, the Uniform Relocation Assistance and Real Property Acquisition Act shall be complied with.
5. *Diversity and Innovation of Housing Types:* Priority will be given to the following to support innovative design and a spectrum of housing types:
 - i. Adaptive reuse of existing structures as housing
 - ii. Missing middle housing (i.e. townhomes, courtyard apartments, small scale apartments)
 - iii. Family housing (2+ bedrooms) in the urban core
 - iv. Housing with innovative parking solutions
 - v. Housing with high-quality and innovative construction materials and design
 - vi. Housing that incorporates public or private amenities
6. *Neighborhood Revitalization:* Priority will be given to projects located in RDA project areas to support neighborhoods prioritized for redevelopment and the generation of future tax increment.
7. *Underserved Populations:* Priority will be given to projects that include units targeted to households at 40% of the AMI and below, vulnerable populations, and persons with disabilities to support housing for underserved populations.
8. *Long-term Affordability:* Priority will be given to projects that provide long-term affordability, and that create a net increase in affordable units or secure affordability for units/projects that are at risk of conversion to market rate.
9. *Sustainability:* Priority will be given to projects that demonstrate a commitment to an industry-recognized sustainable building certification program to promote a built environment that assists with conserving resources and lowering utility costs for residents.
10. *Leveraging:* Priority will be given to projects with significant leveraging of non-RDA/City sources of funding to encourage leveraging of private investment.
11. *Financial Viability:* Priority will be given to projects that provide long-term positive cash flow and/or repayment of RDA-held debt to support projects that are financially viable.

ATTACHMENT C: HIGH OPPORTUNITY MAP



0 0.125 0.25 0.5 Miles

Legend

Opportunity Census Tracts

- Moderate Opportunity
- High Opportunity
- Very High Opportunity

- Richmond Flats Application
- Salt Lake City Boundary

ATTACHMENT D: RESOLUTION

REDEVELOPMENT AGENCY OF SALT LAKE CITY

RESOLUTION NO. _____

**Notice of Funding Availability (NOFA) Funding Allocation for
High Opportunity Area Affordable Housing
Loan to Community Development Corporation of Utah**

RESOLUTION OF THE BOARD OF DIRECTORS OF THE REDEVELOPMENT AGENCY OF SALT LAKE CITY APPROVING PRELIMINARY LOAN TERMS FOR A LOAN TO COMMUNITY DEVELOPMENT CORPORATION OF UTAH FOR AN AFFORDABLE HOUSING PROJECT LOCATED AT 2960 SOUTH RICHMOND STREET.

WHEREAS, the Redevelopment Agency of Salt Lake City (“RDA”) was created to transact the business and exercise the powers provided for in the Utah Community Reinvestment Agency Act (the “Act”).

WHEREAS, the Act provides that tax increment funds may be used for the purpose of increasing the affordable housing supply within the boundaries of Salt Lake City.

WHEREAS, pursuant to a motion adopted by the RDA Board of Directors (the “Board”) on December 5, 2017, the Board set aside \$10,000,000 for a “Notice of Funding Availability” (NOFA), contingent upon an application and review process administered by the RDA to facilitate funding of qualified projects which meet the goals established by the NOFA guidelines with \$4,500,000 of the funds to be dedicated toward areas of high opportunity. The high opportunity funds remain open on an ongoing basis until funds are expended.

WHEREAS, the RDA facilitated a loan application and review process pursuant to the RDA’s NOFA policy set forth in resolution R-17-2018 (the “NOFA Policy”).

WHEREAS, the Community Development Corporation of Utah (“the Developer”) submitted a loan application for a loan of NOFA funds for an affordable housing project in a high opportunity area to acquire a property located at approximately 2960 S Richmond Street.

WHEREAS, on October 15, 2019, the RDA’s Finance Committee reviewed the Developer’s loan application.

WHEREAS, based on the Finance Committee’s recommendations, the RDA staff recommends that the Board approve a loan to Developer as described on Exhibit A attached hereto and incorporated herein, and that the RDA shall provide a conditional commitment period determined by the RDA, during which the Developer shall have the opportunity to obtain needed financial, legal, and regulatory approvals as well as satisfy other conditions determined by the RDA in order to finalize the loan terms.

WHEREAS, pursuant to the NOFA Policy, if the Developer meets the conditions of the conditional commitment it shall be invited to execute a Letter of Commitment to finalize the loan terms as approved by the Finance Committee, subject to a set of conditions precedent to closing of the loan.

NOW THEREFORE, BE IT RESOLVED BY THE BOARD that it approves the preliminary loan terms as described in Exhibit A, subject to revisions that do not materially affect the rights and obligations of the RDA hereunder. If the Developer successfully meets the required conditions, the Board authorizes the Executive Director to negotiate and execute the conditional commitment letter, the Letter of Commitment, and the loan agreements and other relevant documents consistent with the NOFA policy, the terms contained on Exhibit A, the final loan terms as determined by the Finance Committee, and incorporating such other terms and conditions as recommended by the City Attorney's office.

Passed by the Board of Directors of the Redevelopment Agency of Salt Lake City, this _____ day of _____, 2019.

Amy Fowler, Chair

Approved as to form: _____


Salt Lake City Attorney's Office

Kimberly K. Chytraus

Date: October 24, 2019

The Executive Director:

_____ does not request reconsideration

_____ requests reconsideration at the next regular Agency meeting.

Jacqueline M. Biskupski, Executive Director

Attest:

City Recorder

EXHIBIT A

PRELIMINARY TERM SHEET:

Applicant: Community Development Corporation of Utah

Address: 2960 S Richmond Street

Conditional Commitment period: 24 months with milestones

Amount: \$1,800,000

Term: 30 years

Interest Rate: 1-3% depending on project capacity for repayment

Repayment: Cashflow

Other Conditions: Prior to closing on the loan, the following conditions shall be met:

1. Property to be rezoned
2. Applicant to obtain tax credits and senior financing
3. RDA to approve the final financing package development plan
4. Applicant to receive all other City/RDA approvals
5. Final loan terms and conditions are reviewed and approved by the RDA Finance Committee