



COUNCIL STAFF REPORT

CITY COUNCIL *of* SALT LAKE CITY

TO: City Council Members

FROM: Allison Rowland
Budget & Policy Analyst

DATE: September 6, 2022

Item Schedule:
Briefing: September 6, 2022
Set Date: August 29, 2022
Public Hearing: September 20, 2022
Potential Action: October 4

RE: RESOLUTION: REVIEWING THE PUBLIC BENEFITS ANALYSIS FOR THE OTHER SIDE VILLAGE PILOT PROJECT AT 1850 WEST INDIANA AVENUE AND CONSIDERING A RESOLUTION TO AUTHORIZE THE LEASE RATE AND TERM

ISSUE AT-A-GLANCE

The Council will receive a briefing on the public benefits analysis and the proposed lease rate and term for a pilot project to test the viability of The Other Side Village (TOSV), a tiny home community that would offer “recovery housing” for people experiencing homelessness, particularly those who struggle with substance abuse, mental health and/or physical disabilities. Its services would be similar to those at permanent supportive housing developments, and it would be located on eight acres at 1850 West Indiana Avenue and part of an adjacent parcel, on a portion of vacant land owned by Salt Lake City that was formerly a landfill.

The Other Side Academy (TOSA), a Utah nonprofit corporation would lease the area for 40 years at \$1 per year. TOSA has agreed to pay for all costs to remediate the site of the pilot project, which includes part of the former landfill, as well as the costs of development and operation of the pilot project. Any request to lease the remainder of the City properties for less than fair market value would be submitted later and with a supplemental public benefit analysis.

The Council will hear public comment on this resolution at the September 20 Formal Meeting. In conjunction with this project, the Administration has requested the Council consider a zoning amendment for the City property. The Planning Commission recommended approval of the proposed zoning change on October 27, 2021, and the City Council will be briefed on that issue on September 13 with a public hearing also on September 20.

Goal of the briefing: *Review the public benefit analysis for the pilot project of The Other Side Academy’s Village and consider authorizing the below-market lease rate and 40-year term.*



ADDITIONAL INFORMATION AND BACKGROUND

- A. **The Properties and Proposed Lease.** Since learning of TOSA's interest in establishing a "village" of tiny homes, the Mayor's Administration has worked with the organization to identify potential sites large enough for the planned full build-out, which was envisioned as at least 30 acres. Parcels of this size with access to public transit are not available in most areas of Salt Lake City, but two abutting candidate parcels totaling approximately 83.5 acres of City-owned property were identified, one at 1850 West Indiana Avenue and the other at 1965 West 500 South. Parts of these parcels served as a City landfill between 1923 and 1962, and they will require environmental remediation before they can be used for the TOSV (see section B). In addition, a fault line runs through the property and the Utah Geological Survey is currently conducting a trenching study to gather additional information. The fault line and precise locations of environmental contamination could affect the boundaries and site plan of future phases of the development.

The Public Benefits Analysis in the transmittal states that the 2022 assessed value of the Indiana Avenue property is about \$4.20 per square foot, or \$8,230,000 for the full parcel, excluding remediation, mitigation, and cleanup costs. The City and TOSA agreed to phase in the development, starting with a pilot project to test its viability (see section D below). The proposal before the Council would allow TOSA to site the pilot project on eight acres at the southeast corner of the properties. This area is assessed at approximately \$1,460,000. TOSA would not have rights or obligations related to the other areas of these properties, unless and until another phase of the project is approved by the City. The City would continue to secure and maintain these areas, and TOSA states that it is committed to ensuring that residents of the Pilot Site are respectful of the surrounding property and neighborhood.

The Administration proposes a lease term of 40 years at the reduced lease rate of \$1 per year, with an option to renew during the last year of the lease, subject to review and approval by the Council. The below-market lease terms would be offered as the City's contribution to TOSA's effort to provide creative solutions for people experiencing homelessness. Utah State law provides that a municipality may "authorize municipal services or other nonmonetary assistance to be provided to a nonprofit entity, whether or not the municipality receives consideration in return," under certain conditions.

1. The purpose of these services or assistance must be approved by the municipal legislative body and provide for "the safety, health, prosperity, moral well-being, peace, order, comfort, or convenience of the inhabitants of the municipality."
2. A public hearing must be held by the legislative body before the decision is made.

- ***The Council may wish to ask the Administration and the Attorney's Office about some issues that could be addressed in the terms of the lease agreement, including:***
- ***an operating covenant;***
 - ***ensuring that the pledges and guarantees offered in the transmittal are in a form acceptable to the City; and***
 - ***any potential termination of the lease, should TOSV not meet the mutually-agreed expectations.***

- B. **Environmental Remediation.** Under the lease, the City would relinquish any responsibility for environmental remediation, construction, operation, or maintenance of the pilot site and project. All of these would be assumed by TOSA. The organization also would accept full liability for the costs and claims related to the remediation and mitigation. Current cleanup efforts are limited to the pilot site, which is believed to be the area where the smallest amount of trash was buried.

The transmittal reports that the City's Department of Sustainability is already involved with the identification, sampling, and site investigation process and will work with State and other agencies to ensure that requirements are met for site cleanup, remediation, and mitigation. Department of Sustainability staff plans to work closely with regulators, an environmental consultant, and TOSA through the Utah Department of Environmental Quality (UDEQ) Voluntary Cleanup Program (VCP). The Sustainability Department reviews and provides input on sampling plans, reviews findings and recommendations, and coordinates the implementation of the selected remediation pathway.

UDEQ will examine historical reports and environmental sampling results, and may recommend additional sampling, depending on the results of the first round. The Sustainability Department estimates one additional round of sampling and associated reporting by the consultant would cost \$70,000, which would be drawn from the City's non-departmental environmental fund. This fund was set up to be used for environmental assessments on City property and received \$100,000 in the FY23 budget. The Administration reports: *"Additional budget allocations may be necessary depending on the extent of the environmental work recommended by UDEQ, the City's desire to continue participating in the VCP, and other city properties that require environmental assessments or remediation."*

Once the VCP program is completed, the City would receive a "Certificate of Completion" for the project area. This indicates that all necessary precautions were taken to protect environmental and public health and provides liability protection for the City.

The Sustainability Department notes that because the pilot project would be sited in the area where it is believed the smallest amount of trash was buried, remediation there may be simpler than in other areas of the property. The Department estimates that sampling and evaluation of remediation options for subsequent phases could take a year or longer, depending on what is discovered, and the proposed uses of the property.

- ***The Council may wish to request additional information from the Administration about the extent of the work already completed by the Sustainability Department on this project, including the cost of any staff time that exceeded services normally provided for potential City leases.***

C. **Informal Public Benefits Analysis.** Unlike many other cases the Council considers, a formal public benefits analysis conducted by an outside consultant was not required in this case due to the non-profit status of TOSA. Still, the Administration requested that the Attorney's Office conduct an "informal" public benefits analysis with help from the Department Community and Neighborhoods (CAN) to identify the potential benefits of the proposed agreement between Salt Lake City and The Other Side Academy (TOSA), the entity which proposes to develop The Other Side Village (TOSV). These public benefits are identified in Exhibit C of the transmittal.

1. **Benefits to City.** The Informal Public Benefits Analysis notes that in exchange for the property lease to TOSA for the Pilot Project the City and its residents would receive the following benefits:
 - a. Development, operation, and management of a Pilot Project at TOSV that offers a new model for supporting people experiencing homelessness, including "a path to secure housing."
 - b. Case management for residents, including help accessing benefits and entitlements; healthcare; behavioral and mental health services; education and employment supports; and other community resources.

- c. New housing units for households with incomes at or below 30% of Area Median Income, which in 2022 is no more than \$21,510 for a single person. Maximum rents would be set at 25% of the area median income and adjusted annually, which is currently \$448 monthly, including basic utilities. (Tenants would be allowed to increase their income after signing their leases.)
- d. Potentially, reduced costs of public care for unsheltered people who likely use emergency services; more alternatives to scarce shelter beds and services; reductions of population in living in encampments.
- e. The activation of currently vacant property; mitigation of former landfill space; reduction of criminal activity in the vicinity of TOSV; additional investments in nearby neighborhoods in grocery and other retail stores, recreation, and transit.

2. **Growing SLC and Council Priorities.** The transmittal states that the proposal aligns with both the City's 2018-2022 Housing Plan, and the Council's longtime priorities in the following ways:

- a. Offering solutions to address housing for incomes below 40% AMI;
- b. Providing housing and services to the City's most vulnerable populations;
- c. Creating a net increase in affordable housing units while avoiding displacement of existing affordable housing;
- d. Retaining and expanding the diversity of AMI and innovative housing types.

D. **The Pilot Project.** As the site map in the transmittal's Exhibit A indicates, TOSA ultimately intends to expand its operations to cover much of the property on Indiana Avenue and a portion of the 500 South property. For now, though, it has agreed with the Administration to demonstrate the feasibility of its tiny home village concept through a pilot project that would extend over approximately eight acres. The focus would be on "Recovery Housing," treating people who are considered chronically homeless, that is, those who have experienced homelessness for at least one year, or repeatedly over several years, and who are struggling with substance use disorder, serious mental illness, and/or physical disability.

The pilot project would consist of at least 54 deed-restricted tiny homes, six tiny homes for on-site staff who provide 24-hour coverage, and 25 tiny homes that would be offered as nightly rentals. The homes would measure between 280 and 400 square feet each. In addition, the pilot project would include community space, commercial space for income-generating projects, and space for on-site supportive services, as well as utility serve and related infrastructure, and roads, curbs, and gutters.

All tenants would be required to pay a standardized rental rate, since this project does not have project-based rental vouchers attached to the units, unlike many other housing developments that serve people who were formerly homeless or have extremely low-incomes. TOSA states that it is committed to assisting prospective and actual tenants obtain and maintain a source of income to pay rent, such as employment, Social Security Disability Insurance, or a Housing Choice tenant-based rental voucher.

1. **The Recovery Housing Model.** TOSV's organization and supportive services would conform to National Alliance for Recovery Residence Standards for "Recovery Housing," a model designed for people suffering from substance use disorders who need supportive transitional housing. Recovery housing provides an alcohol and drug-free living environment and may require residents to participate in recovery activities as a condition for residency. The Recovery Housing Model is recognized and supported by the US Department of Housing and Urban Development (HUD), which recognizes the importance of providing individual choice to support various paths towards recovery. This support is outlined in a [HUD Policy Brief](#) on the topic.

As described by TOSA:

"In this Policy Brief, HUD states that some people pursuing recovery from addiction express a preference for an abstinence-focused residential or housing program where they can live among and be supported by a community of peers who are also focused on pursuing recovery from addiction—environments that are provided by Recovery Housing programs. HUD defines "Recovery Housing" as housing in an abstinence-focused and peer-supported community for people recovering from substance use issues. The Village would meet this definition.

The Policy Brief continues to describe characteristics of "Recovery Housing", which include residents choosing to actively participate together in community activities focused on supporting recovery. The Policy Brief states that: "Many Recovery Housing programs include a high percentage of staff in all areas of the organization that are in recovery themselves. Not only does this type of staffing advance the goals of the program through peer support, but it provides program participants, in some cases, with an opportunity to become employed in a mission-oriented work environment. This creates an environment that benefits both the organization and the individual program participants."

The Village has all of the above components: residents choosing to actively participate in community to support recovery, staff that are in recovery themselves, and employment opportunities for residents."

In response to a staff question, TOSA outlined the process for residents who break their sobriety commitments:

"The Other Side Village is a sober community following the HUD defined Recovery Housing Model. TOSA understands that the path to sobriety is challenging and sometimes involves setbacks. If a resident is found to have violated sobriety commitments, there is not an automatic eviction, but rather they will be assisted in every way to regain their sobriety. This could range anywhere from a period of regular drug and alcohol testing and outpatient support to a requirement to participate in residential treatment. All residents will be offered the option of returning to the Welcome Neighborhood for some period of time as a way of restoring sobriety. A resident will be evicted from the Village if they are unwilling to agree upon a reasonable plan to return to sobriety. These policies are in alignment with the HUD guidelines in their Policy Brief on Recovery Housing that was previously mentioned."

Like other housing providers, TOSA would be required to comply with the Fair Housing Act and could face regulatory and legal action for any violations.

2. **Tenant Selection.** To ensure compliance with Federal and State fair housing laws, the term sheet that accompanies the proposed ordinance changes would require that TOSA:
- a. not deny housing to protected classes;
 - b. not unreasonably limit the ability of families with children to obtain housing;
 - c. develop and make public written tenant selection policies and procedures that include descriptions of the eligibility requirements;
 - d. ensure that all applicants to the project go through the coordinated entry process used by the Salt Lake Valley Coalition to End Homelessness to ensure coordination and efficiency;
 - e. enter any new resident into the Homeless Management Information System (“HMIS”) coordinated entry system;
 - f. give preference to Salt Lake City residents for placement; and,
 - g. submit annual compliance reports to the City.

In addition, an admission preference may be established for individuals with a commitment to sobriety. To be able to afford to pay rent, tenants may be required to have employment or another source of income, such as social security disability or a tenant-based voucher. TOSA intends to lease units on a month-to-month basis, but tenants may remain in their homes indefinitely while they continue to meet the basic obligations of tenancy.

If no applications from chronically homeless people are received and TOSV homes are available, the Administration intends to ensure that these are filled with people who are most critically in need of housing, using the coordinated entry system and intake/assessment tools of the Salt Lake Valley Coalition to End Homelessness to match the needs of each unique individual and household. This system generally prioritizes those with longer lengths of homelessness and certain other vulnerabilities for housing.

3. **Programming.** The Term Sheet for the proposed lease agreement requires supportive services including “on-site case coordination or management that ensures tenants’ access to a wide variety of services and on-site location of services provided by professional service providers as evidenced through an agreement” with appropriately licensed providers. These are to be made available on a “flexible and voluntary basis” and address the following: mental health; substance and alcohol use; health; case management; independent living skills; employment; peer support; and community involvement and support. TOSA is still developing partnerships with service providers, so the scope and scale of on-site health and case-management has not yet been finalized.

Because of widely reported staff shortages in social services, staff requested information about how TOSA would handle this issue should it occur in the organizations they are preparing to engage. The reply was as follows:

“It is possible that there could be staffing shortages among the service providers and that those staffing shortages could lead to a reduction of services for the residents of the Village. If this were to occur, the Village management would simultaneously pursue two options. One would be to bring in the services of other service providers. The Other Side Village has already had discussions with other medical and mental health service providers who are interested in providing services to the residents of the Village. The other option would be to try to fill the gaps in service through volunteers. The Other Side Village has a number of doctors and clinicians who have volunteered to help at the Village.”

Since, in addition to on-site services, TOSA would coordinate access to off-site services, the organization stated:

“TOSA assumes responsibility to coordinate and facilitate access to both on-site and off-site services. This will be accomplished by the Village Coaches, the full-time non-clinical case managers. Each resident will have a Village Coach assigned to them and part of the Village Coach's responsibilities is to facilitate and coordinate access to services, including arranging transportation for them for any off-site appointments.”

E. **Pilot Project Financing.** The financing models include both constructions expenses and operational expenses and revenue. TOSA currently projects breaking ground on the pilot project in early 2023.

1. **Construction Costs.** Full buildout of the TOSV Pilot Project was estimated at nearly \$13.8 million at the end of April 2022, approximately \$162,000 per unit, not including land costs. This included environmental remediation, architect fees and building permits, roads and utilities, construction of homes and other buildings, and landscaping, as shown in the figure below. TOSA believes that most of these costs will be covered through in-kind contributions and donations. As of July 6, 2022, TOSA reports having received nearly \$2.2 million in cash for this project, with another \$3.1 in cash pledged. The exhibits to the transmittal include letters from various individuals promising in-kind support and guarantees. The Administration has committed to ensuring that TOSA has adequate funds to move the project forward prior to closing on the land lease.

- ***To increase the likelihood that these pledges are enforceable, the Council could consider asking the Administration to include a condition on the ground lease that any pledge or guarantees is in a form acceptable to the City (this was also noted in an earlier policy question).***

TOSV PILOT PHASE - CAPITAL COSTS

Environmental Remediation	\$232,500
Permit / Fees	\$400,000
Civil Work	\$1,045,440
Tiny Home Construction	\$4,350,000
Welcome Neighborhood Homes	\$875,000
Neighborhood Center	\$441,000
Community Center / Clinic	\$3,146,400
Social Enterprise Building	\$2,300,000
Landscaping	\$320,000
Architectural Fees	\$666,744
Total	\$13,777,084

Source: TOSA, dated 4/29/22 as provided to City staff on 6/24/22

Note: Excludes land costs

2. **Operations Costs.** The primary source of revenue to cover TOSV's operating costs will be the "social enterprise" businesses located on-site, which are designed to provide job opportunities for residents. These include a thrift store, cookie manufacturing, and rental of the 25 purpose-built tiny homes to the public, including Pilot Project visitors and volunteers. This would be known as the Community Inn. Rent from TOSV residents would cover approximately 10% of operating costs. TOSA indicated that the years noted on the pro forma included in the transmittal (Exhibit G) would shift to reflect that the bulk of revenues and expenses would begin to accrue in 2023, rather than 2022.

In response to staff questions, TOSA provided the following additional information:

"The Other Side Village has had 2 market studies for the cookie production. The two studies were done independently by University of Utah as well as by Brigham Young University business and MBA students. Both studies showed a growing cookie market and strong indicators for a viable cookie production business.

In regards to the Thrift Store, no additional market study was conducted. The Other Side Village is drawing on the experience of the Academy running the two thrift stores in Millcreek and Murray, plus their experience of launching and running a Thrift Furniture store in Denver. There would be a relationship between the Village thrift store and the Academy's stores. The most obvious relationship is for the Academy to provide inventory for the Village store. The Academy has excess inventory available that would be easy to place at the Village thrift store at little expense or effort."

- ***The Council may wish to ask the Administration about the strategy to be used in the event the operational revenues are not sufficient to cover operational costs.***

F. **Assessment of Pilot Project.** The transmittal states that the purpose of the pilot project is to demonstrate the feasibility of the concept. The Administration would assess this using the following criteria:

1. Financial feasibility, successfully generating sufficient positive cashflow to maintain and grow its operations.
 2. Social outcomes of the target populations, reducing the number of chronically homeless individuals and improving the well-being of residents.
 3. At the neighborhood level, the project's positive impact on the surrounding community.
- ***The Council may wish to ask the Administration about the assessment process: Which department or division would be charged with the assessment? Which indicators and sources of information would be used? What would become of the pilot site and the construction on it should the pilot not demonstrate feasibility?***
 - ***The Council may wish to ask the Administration how success will be evaluated and/or confirmed prior to the authorization of future phases.***
 - ***The Council could ask the Administration to consider adding terms to the lease to lay the groundwork for termination if the Village does not meet operational expectations and/or cover expenses.***