



CITY COUNCIL TRANSMITTAL


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Date Received: September 20, 2017
Date sent to Council: September 25, 2017

TO: Salt Lake City Council
Stan Penfold, Chair

DATE:

FROM: Mike Reberg, Community & Neighborhoods Director 

SUBJECT: Update on Blue Ribbon Commission Projects

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DOCUMENT TYPE: Information Only

RECOMMENDATION: Briefing

BACKGROUND/DISCUSSION:

Growing SLC: A Five Year Plan is an aggressive plan to explore a variety of solutions related to solving the affordable housing crisis. While this plan is still being reviewed several components are already under way and being explored. By implementing key pieces of the plan it allows the administration to explore ideas, expand on current programs, and continue to respond to the need for housing in Salt Lake City. Further, the current circumstances of a high rent environment, limited housing stock and a high percentage of cost burdened households there is a sense of urgency to respond to the needs of this community. The crisis has been further compounded by the common goal of closing The Road Home Shelter in June of 2019 and, at that closure, have meaningful and deeply affordable housing. These challenges and the implementation of the Housing Plan cannot be met in isolation, but will require commitment (both in-kind and financial) from the community to be successful. To this end the Blue Ribbon Commission (BRC) (Goal 2, Objective 2.1.1) was formed as an informal body of experts committed to finding solutions for housing through public and private partnership. A previous transmittal was submitted to the Council on the specifics of the BRC goals and vision. The purpose of this transmittal is to update the Council on status of the BRC and the 3 main projects that are being explored as well as indentifying areas of collaboration. The paragraphs below should be

considered as a flexible and responsive approach in order to be opportunistic in the market, thus, it is possible that each project will look very different.

Approach

The BRC is taking a hands on approach to development by taking advantage of market opportunities and exploring the feasibility of housing within those opportunities. To this end they have engaged partners to put 3 key pieces of property under contract (the status and descriptions are outlined below). Through this process and the expertise within the commission they are looking to identify ways to maximize private and public partnership. Each project will demonstrate such partnerships differently but with a common goal of limiting City funding and involvement while maximizing private and market based best practices. To this end the BRC is prioritizing the building of efficient, beautiful and cost effective housing projects for a wide variety of incomes. On top of quality design and functionality the BRC is looking at ways to increase resources and partnerships through philanthropic requests and accessing Community Reinvestment Act (CRA) dollars.

Leverage

Salt Lake City has a wide variety of resources that are deployed into the community, a large majority of these resources are focused on affordable housing. Notably the most advantageous resources are vouchers and 9% tax credits (both provide large subsidies for housing). These two resources are extremely limited and alone could not build the housing needed. Within this context the BRC is looking for a way to replace these resources to respond to the crisis and increase housing opportunities for very low income households. The projects that are being explored will require all types of funding, such as, but not limited to the Housing Trust Fund, Olene Walker Housing Trust Fund, 4% housing tax credits, state tax credits, in-kind donations, financial donations, and very low interest financing. The administration is currently working with community partners to vet the possibility of philanthropic interest, program services, financing, and long term affordability.

Process

The BRC hopes to engage private developers in financing the land acquisition, design and construction of viable projects. For all of the projects the intent is that the Housing Authority of Salt Lake City would own and operate the buildings therefore keeping the integrity and affordability of the project long term. Through this model the BRC functions in an advisory capacity on affordable housing for the private sector. This process will also allow time for Council and or RDA Board to evaluate and understand the full picture of the project prior to funding going out the door.

Timing

Due to the intense circumstances in our community as they relate to the affordability crisis, the shelter closure, and limited resources the proposed projects have an increased sense of urgency. With that understanding there is a keen desire to gain early support from Salt Lake City and its entities in order to entice key stakeholders in the community at large. The BRC hopes to accomplish all front end financing from the community, however, there may be a request to conditionally commit some funding to advance the project. This commitment could have contingencies and policy direction but would still provide a matching opportunity for private

philanthropic dollars. This model would allow key stakeholders to see the whole picture prior to any direct funding providing transparency to design, unit mix, financing, and long term operations.

Opportunity for Collaboration

While there is no existing expectation, there is an opportunity to use the dollars allocated by the RDA Board for affordable housing. In fact, the choice to use the dollars toward this endeavor would be the key piece in the BRC's ability to entice donors to this cause. Considering the time constraints it is difficult to articulate a clear request at this point, however, the BRC is working toward identifying what may be needed. With this in mind it is anticipated that at minimum a request will go forward as a conditional allocation on some or all of these projects. Such a request would allow the governing body to create contingencies and guidelines for use of funding that align with the previously set legislative intent. This would establish a committed partnership but allow for transparency and continued decision making along the development process.

BRC Current Projects

1500 W North Temple

Site Acquisition: \$4,000,000 Estimated Total Investment: \$35,000,000

Estimated Units: 300 total units, 120 affordable

Project Overview: This motel property is characterized by high crime rates, physical deterioration, and code violations. Redevelopment will result in housing units for a mix of incomes, including units for families at 40% AMI and below. Currently, this property is under contract with the Housing Authority of Salt Lake City.

Closing Date: Mid October 2017

Contract Status: Currently the Housing Authority of Salt Lake is in the due diligence process. There is risk of losing some diligence money if parties are unable to close. The intent is to assign the contract to a private sector partner before closing and following the request process for funds once the project is built.

Anticipated Financing: Primarily led by private sector development and financing it is anticipated the city would receive a request for conditional funding approval. This funding would likely incorporate 4% tax credit, state tax credits, long term debt, construction financing, and subsidy through donations.

1749 S State Street

Site Acquisition: \$4,125,000 Estimated Total Investment: \$21,000,000

Estimated Units: 150 total units, 60 affordable

Project Overview: This motel property is characterized by high crime rates, physical deterioration, and code violations. Redevelopment will result in housing units for a mix of incomes, including units for families at 40% AMI and below.

Closing Date: Late October 2017

Contract Status: Currently the Housing Authority of Salt Lake is in the due diligence process. There is risk of losing some diligence money if parties are unable to close. The intent is to assign the contract to a private sector partner before closing and following the request process for funds once the project is built.

Anticipated Financing: Primarily led by private sector development and financing it is anticipated the city would receive a request for conditional funding approval. This funding would likely incorporate 4% tax credit, state tax credits, long term debt, construction financing, and subsidy through donations.

525 S 500 West

Site Acquisition: \$640,000 Estimated Total Investment \$15,625,000

Estimated Units: 100 total units (Permanent Supportive Housing)

Project Overview: This site presents an opportunity to address the affordable housing crisis by increasing the number of units available to persons exiting homelessness or at risk of becoming homeless. The project will provide permanent supportive housing to serve as a constructive alternative to emergency shelters. The site is especially appealing because it can be viewed as an extension of Sunrise Metro (just west of the property) and therefore leverage existing services.

Contract Status: The property is currently owned by Giv Development and will be co-developed by the Housing Authority of Salt Lake.

Anticipated Financing: The partnership will plan to apply for 9% credits this October. While there may be need of a bridge loan it is likely that when tax credits are awarded all debt would be repaid.

In closing, this process is continually changing however the approach is not. There is a goal of creating an additional 1,000 units for those at 40% AMI and below. The BRC is leveraging a wide variety of private resources and partnerships to respond to this critical need.

PUBLIC PROCESS: Not applicable

EXHIBITS: None