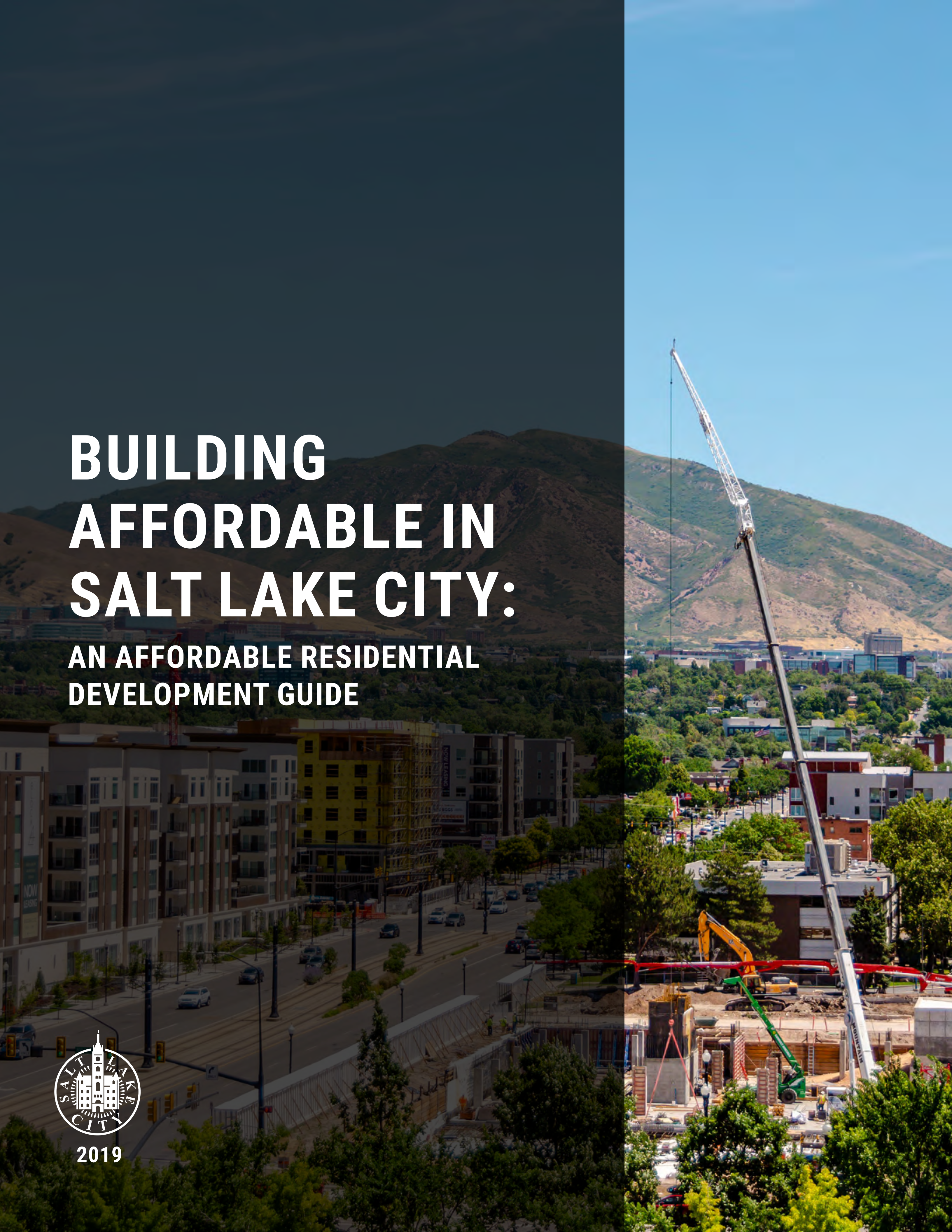
BUILDING AFFORDABLE IN SALT LAKE CITY:

AN AFFORDABLE RESIDENTIAL DEVELOPMENT GUIDE



2019

INTRODUCTION

Salt Lake City is one of the fastest growing cities in the nation; this growth in population and employment supports a vibrant community in which many want to live and work, but it is increasingly becoming a city out of reach for many of our residents and workers.

Developers are faced with limitations to building or rehabilitating more units in the City due to increased costs for land, site preparation, materials, and labor. This lack of units and rising demand increases both home prices and the cost of rent.

To address this housing crisis Salt Lake City works closely with developers to encourage and facilitate innovative solutions to housing affordability, as outlined in *Growing SLC: A Five Year Housing Plan, 2018-2022.*

Producing affordable housing is not a casual undertaking. It is a significant commitment of resources to effectively develop a project, whether developers build or renovate, sell or lease, self-finance or gather investors. To assist developers with this process, the following guide is an overview of resources for new or established developers looking to build affordable units.

Salt Lake City helps to set the priorities and the path for the housing needs in the City, but the private sector is essential to help fuel innovation and market dynamics. Together we can build an affordable and equitable city for all of Salt Lake's residents.

Contact

HOUSING AND NEIGHBORHOOD DEVELOPMENT

Address: 451 S. State Street, Room 406
Mailing Address: PO Box 145488, Salt Lake City, Utah 84114
801-535-7712, TTY 711
www.slc.gov/HAND

Contact

THE REDEVELOPMENT AGENCY

Address: 451 S. State Street, Room 118
Mailing Address: PO Box 145518, Salt Lake City, Utah 84114
801-535-7240
slcrda.com

SLC HOUSING AFFORDABILITY PRIORITIES

- **Remove barriers** which limit housing density, prohibit needed housing types or create excessive developer burden.

- **Support the development of new or underutilized housing types** that meet the unique needs of the City's diverse population and improve housing choices into the future.

- **Encourage projects that are mixed-income,** which diversifies the economic mix of neighborhoods to promote economically integrated communities.

- **Invest in Areas of Opportunity** that expand a person's likelihood for social mobility as identified through quality-of-life indicators.

- Implement strategies that **preserve a range of low-income housing,** including rehabilitating aging or in-disrepair housing stock that is affordable.

- **Support innovative construction methods** that provide solutions to rising development costs, and creative housing design that improves form, function, development and maintenance.

- Seek opportunities that incorporate industry-recognized **sustainable building and design practices**, and energy efficient technologies that use fewer natural resources and lower consumers' utility costs.

- Work with public and private investors to **spur the next generation of housing financing.**

- **Promote transit-oriented development,** walkable communities and models that decrease the need for cars or parking stalls.

- **Be responsive to evolving housing demands and trends.**

For a complete overview of Salt Lake City's housing goals and objectives, visit HAND's website to read Growing SLC: A Five Year Housing Plan, 2018-2022, and interact with the City's online Housing Dashboard data.
» www.slc.gov/hand/housingplan

SLC'S HOUSING AND NEIGHBORHOOD DEVELOPMENT AND REDEVELOPMENT AGENCY

HOUSING AND NEIGHBORHOOD DEVELOPMENT

HAND'S MISSION

To develop and enhance livable, healthy, and sustainable neighborhoods.

WHAT HAND DOES

HAND builds neighborhoods by maximizing city owned property, providing funding, and creating housing opportunities. Through a variety of programs, HAND works to stabilize households in their current homes, provide new opportunities for affordable homeownership and rental units, and ensure our neighborhoods are equitable, integrated communities that can support new growth.

» slc.gov/hand

SLCRDA

THE RDA'S MISSION

To improve areas of Salt Lake City, encourage economic development of Salt Lake City, encourage the development of housing for low and moderate income households within Salt Lake City, and encourage compliance with and implementation of the Salt Lake City Master Plan. The RDA will participate with Salt Lake City, Salt Lake County, the State of Utah, and other public entities, to stimulate redevelopment.

WHAT THE RDA DOES

The Redevelopment Agency of Salt Lake City (RDA) revitalizes neighborhoods and business districts to improve livability, spark economic growth, and foster authentic communities. The RDA catalyzes strategic development projects that enhance the City's housing opportunities, commercial vitality, and public spaces. Under Utah Code 17C, the RDA is charged with reinvesting in local communities through tax increment financing to fund affordable housing projects throughout the City.

» slcrda.com

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HOUSING AFFORDABILITY TERMS

The terms Affordable Housing and Housing Affordability are often used interchangeable. The following definitions outline these terms and others within this guide.

Housing Affordability

Housing is considered affordable when a household is paying no more than 30% of their total gross income towards housing expenses (rent or mortgage and utilities). The 30% standard is a widely used and accepted measure of “housing affordability” across the country, and applies to households of any income level.

Affordable Housing

“Affordable housing” is government-subsidized or financed housing for low-income households. These units are deed-restricted and set-aside for a range of eligible Area Median Income households (0-80%). Eligible, income-verified households are those with low, very-low, and extremely-low incomes, including low-wage workers, seniors or people with disabilities on fixed incomes or those experiencing homelessness. There are different kinds of affordable housing units, including:

- Public housing and project- or tenant-based subsidized vouchers (in which eligible households only pay 30% of their total gross income towards rent).
- Set-aside, income-restricted units (in which eligible households pay a reduced Fair-Market Rent calculated on their Area Median Income and the number of bedrooms).

Deeply Affordable

This subsidized housing targets people earning 0-30% Area Median Income, such as seniors or people with disabilities on Social Security. Without deeply affordable housing the odds of those groups securing and maintaining housing are almost impossible.

Area Median Income

The Area Median Income (AMI) is the midpoint of a region’s income distribution. Annually, the U.S. Department of Housing and Urban Development (HUD) releases income guidelines for every U.S. locale that affect how federal grant funds can be used. Depending on the grant type and activity, funds can only be used to assist household that are considered low income. Local governments also use this index to determine their housing policies and priorities.

Affordable Rent

The industry standard for calculating affordable rent uses published income limit tables from HUD with a combination of Fair Market Rent. The formula is technical and also accounts for slight variances but ensures that projects have consistent rent rates that accommodate a variety of incomes.

Fair Market Rent

Average rental rates set by HUD for every U.S. locale, which represents the estimated monthly rent for a modest apartment. Fair Market Rents determine the eligibility of rental housing units for the Section 8 voucher program and serve as the payment standard used to calculate subsidies under the Rental Voucher program.

Market Rate Rent / Market Value Rent
Rental housing that is privately owned but charges rents consistent with the property amenities as well as local housing market prices and conditions. Typically these property owners do not receive direct subsidies.

Naturally Occurring Affordable Housing
A majority of America's affordable housing operates without subsidies and is referred to as Naturally Occurring Affordable Housing (NOAH). These mostly multi-family rental properties (generally built between 1940 to 1990) provide housing at rates affordable to low- and moderate-income households. On average, NOAH have smaller square footage, limited amenities, and suffer from poor upkeep.

Mixed-Income Housing
Developments that includes set-aside income-restricted units, and/or diverse types of housing, such as apartments, town homes, or single family homes to promote a range of income levels in the same development.

Deed Restrictions / Deed Riders
Affordability deed restrictions that are placed on the property to preserve them as a low- and moderate-income housing rentals or homeowner units. Restrictions range from 15 to 50 years, and the terms of the restrictions remain in place if properties are sold.

Middle Housing
Middle Housing are building types, such as duplexes, fourplexes, and bungalow courts, which provide diverse housing options. The term *Missing Middle Housing* is used to describe local housing policies that prevent these types of needed housing that provide a scale of affordability, in favor of detached single family homes and mid-rise to high-rise apartment buildings.

Affordability Index for Homeownership
The National Association of Realtors' affordability index measures whether or not a typical family could qualify for a mortgage loan on a typical home. A typical home is defined as the national median-priced, existing single-family home as calculated by the Association.

Cost Burdened
When 30% of more of a household's total gross income is spent on housing costs.

Extremely or Severely Cost Burdened
When 50% of more of a household's total gross income is spent on housing costs.

Qualified Census Tracts
Housing investors evaluated census tracts, or equivalent geographic areas defined by the Census Bureau for communities defined as: Underserved, Distressed, Severely Distressed or Low-and Moderate-Income.

Areas of Opportunity
Geographical areas that provide conditions that expand a person's likelihood for social mobility, as defined through an analysis of quality-of-life indicators such as: homeownership rate, poverty, cost-burdened households, educational proficiency, unemployment rate, and labor force participation.

Fair Housing
Title VIII of the Civil Rights Act of 1968 (aka the Fair Housing Act) prohibits discrimination in the sale, rental, and financing of dwellings based on race, color, religion, sex, or national origin. States and local governments may include additional protected groups under Fair Housing.

THE NEED FOR HOUSING AFFORDABILITY

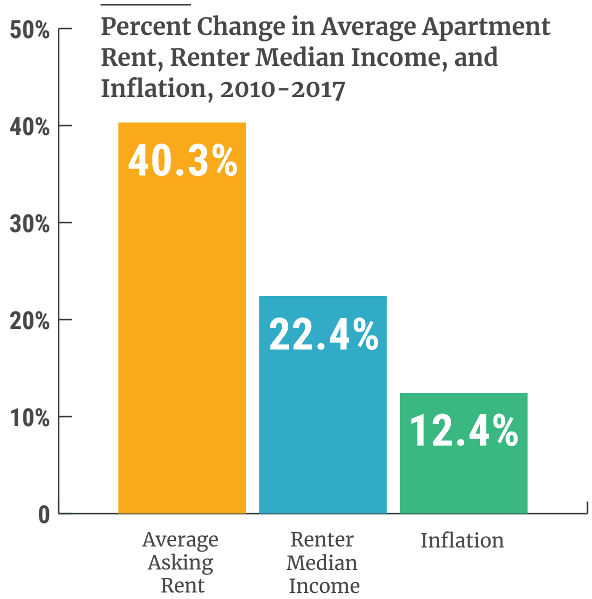
The United States is facing a crisis in the form of a lack of available and affordable residential units. Nearly two-thirds of renters nationwide can't afford to buy a home, home prices are rising at twice the rate of wage growth, 11 million Americans spend more than half their paycheck on rent, and nearly 50% of all renters are cost-burdened, compared with only 20% in 1960.

The main reasons for this crisis are due to: shifting demographics (people are living longer, independent, and not freeing-up units), historical housing policies have favored homeowners over renters (prioritized federal funds and tax incentives, and local policies that favor single family zoning), and a rise in development costs (land, labor and materials are up 20-30%).

Although the economy continues to grow and the housing market rebounds from the Great Recession, many Americans are faced with rising housing costs compared to stagnant wages, thus an inability to comfortably pay for housing.

SALT LAKE COUNTY

Percent Change in Average Apartment Rent, Renter Median Income, and Inflation, 2010-2017



AT A GLANCE:

Apartment Rent in Salt Lake County

Salt Lake County has experienced rapidly rising rents

From 200 to 2018, rent in Salt Lake County rose 78%; more than two-thirds occurred in the last five years.

Rent has outpaced income growth and inflation

From 200 to 2018, growth in average rent in Salt Lake County more than doubled the rate of inflation and almost doubled increases in renter median income.

Salt Lake City remains the center of apartment growth in the region

In 2000, there were just over 12,000 apartment units in the ZIP codes of Salt Lake City. By 2018, this number nearly doubled to 20,554.

Changing household preferences is driving apartment rental demand

Many new apartments communities target the high-end market and have some of the highest average rents in the county. Rising prices and a focus on high-end development are increasing pressure on housing affordability challenges in the region.

Sources:

The State of the Nation's Housing. (2018) Joint Center for Housing Studies, Harvard University.

The Salt Lake Apartment Market: An Analysis of Apartment Rental Rates in the Greater Salt Lake Region. (2019). Kem C. Gardner Policy Institute and the David Eccles School of Business.

AREA MEDIAN INCOME

SALT LAKE CITY

< 30% AMI

AT OR BELOW $17,400 PER YEAR, POVERTY LEVEL, FOR AN INDIVIDUAL

Extremely Low-Income Seniors and People with Disabilities

People 65 years and older, people with disabilities, people who live on fixed income such as social security

Affordable Rent + Utilities: *Less than $578/mo*

30% - 50% AMI

$17,400 - $28,950 PER YEAR FOR AN INDIVIDUAL

Low-Wage Workers

Childcare Providers, Construction Worker, Ski Patrol, EMT, Fast Food Cook, Cashier, Visual Artist, Custodian, Hotel Clerk

Affordable Rent + Utilities: *$775/mo*

50% - 80% AMI

$41,350 - $66,150 PER YEAR FOR FAMILY OF 4

Low-Income Families

Teacher, Accounting Clerk, Legal Secretary, Physical Therapy Assistant, Truck Driver, Flight Attendant, Automotive Mechanic

Affordable Rent + Utilities: *$1,440/mo*
Affordable Home: *$250,000*

80% - 100% AMI

$66,150 - $82,700 PER YEAR FOR FAMILY OF 4

Moderate-Income Families

Special Education Teacher, Architect, Electrician, Sales Representative, Chef, Chiropractor, Social Worker

Affordable Rent + Utilities: *$1,440 + /mo*
Affordable Home: *$332,500*

120% - 150% AMI

$99,240 + PER YEAR FOR FAMILY OF 4

High-Income Families

Real Estate Development Manager, Chemist, Electrical Engineer, Human Resource Manager, Nurse Practitioner, Software Developer

Affordable Rent + Utilities: *$2,000 + /mo*
Affordable Home: *$415,000*

Source: *Federal Home Income Guidelines for Salt Lake City MSA* (Salt Lake County FY 2019).

COST BURDENED

SALT LAKE CITY

Cost Burdened: When 30% or more of a household's income is spent on housing costs. In Salt Lake City, 50% of households are Cost Burdened.

Extremely Cost Burdened: When 50% or more of a household's income is spent on housing costs. In Salt Lake City, 30% of households are Severely Cost Burdened.

Extremely Cost-Burdened   Cost-Burdened   Not Cost-Burdened

Source: *Housing Market Update; Salt Lake City Corporation* (2016). BBC Research & Consulting.

DOES IT PENCIL?

For a developer, building even one affordable residential unit can be a difficult and complex effort that may require several layers of financing and a unique operating model. Developers rely on loans and other sources to fund construction before residents move in, but developers can only get those loans and equity sources if the development will produce enough rent revenue to pay back the loans and provide a return to investors.

Gaps exist between what affordable projects cost to construct and maintain, the rent amount that low-income households are able to pay, and long-term obligations. Government subsidies are the main source for filling these gaps, but increasingly developers are utilizing creative and cost-cutting design and construction methods and/or partnering with non-traditional financers.

Rather than looking solely at the initial development costs of units, affordable developers need to estimate the costs of both developing a property and maintaining it in decent condition for up to a 50-year lifecycle.

TYPE OF DEVELOPMENT:

New Construction

Major new construction costs include: land acquisition, construction (materials and labor), and developer fees. Other fees include: design fees, construction loan interest, permanent financing fees, reserves, and project management fees. Overall, developers can't build if they aren’t going to earn any money from the project.

Preservation

Foreclosure, age-related deterioration, rising maintenance and utility costs, demolition, and expiring use-restrictions and affordability controls cause a significant loss of affordable units each year. High construction costs and lengthy development processes make replacing all of these units with new housing very difficult. Preserving the existing affordable stock is therefore critical to meeting the housing needs of low- and moderate-income households.

Acquisition / Rehabilitation

Acquisition/rehab of renter-occupied buildings can help provide existing tenants with the economic stability and physical improvements they need to stay in their communities and to thrive in all aspects of their lives. This strategy can also act as a neighborhood revitalization tool by addressing issues of blight and physical decay on both vacant and resident-occupied properties. Additionally, acquisition/rehab can be significantly more cost-effective than new construction depending on the amount of rehabilitation required, with costs reaching as low as one half those of new construction.

Development Basics:

- Market analysis
- Site and building information
- Capitalization Rates (Cap Rates)
- Debt Service Coverage Ratios (DSCR)
- Pro Formas
- Property management

Development Variables:

- Location
- Remediation
- Average unit size
- Project size
- Building type
- Weather conditions
- Amenities
- Market Forces

Online Pro Forma samples and tools for development and operations:

- HUD
  hudexchange.info/resource/746/sample-pro-forma-and-guide-singlefamily-rental-development
- Urban Institute and the National Housing Conference
  apps.urban.org/features/cost-of-affordable-housing
- Lifecycle Cost Modeling Tool
  lcycle.org
- Utah Housing Corporation
  utahhousingcorp.org
- Olene Walker Housing Loan Fund
  jobs.utah.gov/housing/affordable/owhlf/index.html

2019 INCOME LIMITS: SALT LAKE COUNTY

	Number of persons in family							
AMI	**1 PERSON**	**2**	**3**	**4**	**5**	**6**	**7**	**8**
40%	$23,160	$26,480	$29,800	$33,080	$35,760	$38,400	$41,040	$43,680
50%	$28,950	$33,100	$37,250	$41,350	$44,700	$48,000	$51,300	$54,600
60%	$34,740	$39,720	$44,700	$49,620	$53,640	$57,600	$61,560	$65,520
80%	$46,320	$52,960	$59,600	$66,160	$71,520	$76,800	$82,080	$87,360

2019 FAIR MARKET RENTS: SALT LAKE COUNTY

	Bedrooms					
AMI	**STUDIO**	**1**	**2**	**3**	**4**	**5**
40%	$578	$620	$745	$860	$960	$1,058
50%	$723	$775	$931	$1,075	$1,200	$1,323
60%	$868	$930	$1,117	$1,260	$1,440	$1,588

Sources:
Based on data acquired from the U.S. Department of Housing and Urban Development's FY 2019 Income Limits Documentation System

SAMPLE DEVELOPMENT PROCCESS

1

Identify the population you want to serve, the services you want to offer, and potential nonprofit partners.

2

Team up with an experienced affordable housing developer who can help you build your development team, including architect, contractor, legal, financing, tax-credit investor.

3

Find a site that works for the project by reviewing local zoning and planning code. Determine if zoning or other planning changes must occur.

4

Determine what financing the project is eligible for and timeline of applications.

5

Approach private financers, submit low-income housing tax credit applications, and reach out to secondary financers.

6

If awarded Federal, State, or local funds, complete all required environmental reviews and other strings.

7

Apply for permits. Attend planning commission meetings and funding meetings as needed.

8

Begin construction. Submit required reports (such as Davis-Bacon) to funders and complete draws regularly.

9

Construction completed. Cost certification and certificate of occupancy. Begin leasing up units.

10

Ensure property management adheres to all funder and investor regulations by completing ongoing monitoring and compliance.

INNOVATION IN HOUSING AFFORDABILITY

Over the past five years, national housing costs have skyrocketed both in construction and rent, challenging the housing industry to think outside of traditional subsidy models to meet the current demand as well as create long-term changes to the housing market.

Disruptive models in design, construction and finance are breaking the long-held standard that affordable housing can only be built with government subsidies – which are few and subject to political whims and budget cuts.

Innovators are reimagining buildings as designed products by examining the integration between design, construction and manufacturing, and overcoming dysfunctions in development and the traditional limitations of affordable housing. Additionally, these innovators are moving beyond the stigma of affordable housing and striving to make housing affordable for everyone.

Innovations in Housing to Watch:

- Social Impact Investing
- Modular homes and apartments
- 3-D printed homes
- Non-traditional financers - i.e. employers, education institutions, and healthcare
- Shared housing or Co-housing
- Shared equity / Community Land Trusts
- Adaptive reuse / Underutilized housing
- Green / Energy efficiencies, reducing utility costs and the need for cars or parking
- Affordable housing preservation programs

LOCAL RESOURCES

Ivory Innovations

Located in Salt Lake City and in partnership with the University of Utah, Ivory Innovations work to inspire creative solutions to local and national housing affordability challenges. Additionally, the Ivory Innovations' Ivory Prize competition provides monetary awards and leverages the Ivory Innovations network to promote the most compelling ideas reaching across policy, finance, and design & construction.
» ivory-innovations.org

Innovations in Housing Affordability Publications:

- Curbed.com
- CityLab.com
- Shelterforce.org

Constructed by HAND, the Emery Passive House is a 2,100 sq ft, 4 bdrm, 2.5 bath home in the Popular Grove Neighborhood. It is Passive House Certified and relies on solar, Energy Star appliances, triple-pane windows, sealed attic space, and insulated basement slab to operate on one-sixth the energy required of a standard home. What's more, it is a HAND Welcome Home Homebuyer Assistance program recipient and placed in the City's Community Land Trust assuring affordability in perpetuity.

FEDERAL RESOURCES

THE LOW-INCOME HOUSING TAX CREDIT (LIHTC)

The Low-Income Housing Tax Credit (LIHTC) is the most important resource for creating or preserving affordable housing in the United States today. The LIHTC database, created by HUD and available to the public since 1997, contains information on thousands of projects and millions of housing units placed in service since 1987. Created by the Tax Reform Act of 1986, the LIHTC program gives State and local LIHTC-allocating agencies the equivalent of nearly $8 billion in annual budget authority to issue tax credits for the acquisition, rehabilitation or new construction of rental housing targeted to lower-income households.
» huduser.gov/portal/datasets/lihtc.html

LIHTC 9% vs. 4%

Claimed in proportion over 10 years, LIHTC can be used to construct new or renovate existing rental buildings. The LIHTC is designed to subsidize either 30% or 70% of the low-income unit costs in a project. The 30% subsidy, which is known as the so-called automatic 4% tax credit, covers new construction that uses additional subsidies or the acquisition cost of existing buildings. The 70% subsidy, or 9% tax credit, supports new construction without any additional federal subsidies. The 9% tax credit is the single most important tool for providing financing for affordable housing. Because of the amount of equity created as a result of the 9% credits, many projects using this tool are able to provide units to those with extremely low and low incomes.

Housing Finance Agency

The Utah Housing Corporation (UHC) is Utah's Housing Finance Agency (HFA) and manages Utah's LIHTC program and allocation process. UHC's Multifamily Finance Department is committed to partnering with developers and investors to utilize State and Federal Tax Credits and bond financing. These resources facilitate the development of new and rehabilitated apartments to provide housing for low-income families, senior citizens, and more.
» utahhousingcorp.org/pdf/2011%20LIHTC.pdf

HUD LOAN PROGRAMS

HUD & FHA

HUD (the US Department of Housing and Urban Development) and the FHA (the Federal Housing Administration) were founded as two separate entities. However, they now share far more responsibilities than either had originally planned. HUD oversees and guarantees both residential and multi-family lending and insurance programs. The FHA, which became a part of HUD in 1965, deals primarily in residential lending: aiding in the purchase of primary residences for Americans by providing loan insurance for single family homes and multi-family properties with up to four units. Although the FHA is now a subsidiary of HUD, it is responsible for the overall management and administration of HUD's Multi-family Housing Programs. HUD, however, ultimately provides the insurance.
» hud.gov/program__offices/housing/fhahistory

HUD-Insured Loans

A common misconception is that HUD makes loans to developers and real estate investors for the recapitalization, acquisition, rehabilitation, and construction of multi-family properties. In reality, HUD only underwrites and insures these loans, which are made by investors. The HUD and FHA insurance programs were created to ensure the ongoing availability of capital for the acquisition, rehabilitation, and development and refinancing of all apartment properties. This includes market rate apartments, as well as affordable properties and subsidized housing.

HUD Refinancing, Building, Rehabilitating, or Acquiring Multi-family Properties

The FHA or HUD 223(f) program was created for the refinancing or acquisition of multi-family properties. Many believe that HUD only focuses on Section 8 properties, subsidized housing, or low-income housing. In reality, the HUD 223(f) program insures loans for the full spectrum of market rate multi-family properties across the nation, with further considerations for low-income housing, rental assistance, LIHTC, etc.

HUD Loans for Multi-family Developers

The FHA or HUD 221(d)(4) program insures multifamily developers building market rate, low-income, rental assistance, and other multi-family developments. Loans generally range from $2 to $100M or more. In general, there is no hard cap or bottom for the loan amounts. However, because of the costs involved with originating HUD-insured multi-family development loans, developers of smaller multi-family projects are often intimidated by this form of financing. Thankfully, the FHA has embraced change and new operational efficiencies over the years. Despite that, HUD 221(d)(4) loans can still take 8-12 months to close, and often require an experienced financial intermediary to assist throughout the entire process.

HUD and FHA Amortization and Maturities

FHA insured financing provides for the longest terms in the industry. But something else also sets these loans apart: all FHA loans are fully amortizing, creating the longest amortizations in the industry and the most flexibility on debt service coverage ratios. Why? Longer amortizations mean lower payments.

FHA-insured construction loans offer 40 years of fixed-rate financing plus up to 3 additional years of financing during the construction period. HUD 221(d)(4) provides one of the very few, if not the only, fixed-rate construction loans in the multifamily development business. Existing assets for purchase or refinance are similarly qualified to achieve very long term fully amortizing loans. For example, HUD 223(f) insured loans are fully amortizing for up to 35 years; provided the term and amortization does not exceed 75% of the property's remaining economic life.

As industry professionals know, the longer the fixed rate, the higher the interest rate (except for in the case of an inverse yield curve). However since they are government-insured FHA and HUD multifamily loans earn a AAA credit rating, this leads to rates that are lower than Fannie Mae and Freddie Mac 10-year fixed-rate loans.

HUD Multi-family Loans

HUD multi-family loans include specific benefits for affordable properties. These include increased loan to value (LTV) allowances, reduced debt service coverage ratio (DSCR) requirements, and lower mortgage insurance premium (MIP) requirements. HUD multi-family loans such as the HUD 221(d)(4) and HUD 223(f) are also a great fit when combined with the Low-Income Housing Tax Credit (LIHTC) program, which offers investors a dollar-for-dollar federal tax credit in order to encourage investment in affordable properties. These loans also fit well with the Rental Assistance Demonstration (RAD) program, which allows properties using certain HUD legacy housing assistance programs to convert their properties to long-term Section 8 HAP (Housing Assistance Payment) contracts.
» hud.loans/hud-multifamily-loans

Additional HUD / FHA Considerations

HUD-insured loans require annual financial audits which may cost upwards of $2,500 per year. In addition, they take longer to close (223f loans may take 120 days, and 221d4 loans may take 10 months). Plus, there are more upfront costs and closing costs associated with the origination of HUD-insured loans. That said, a 223(f) insured loan isn't vastly different from originating a Fannie or Freddie multi-family loan. Other requirements involve things like:

- Phase 1 environmental assessments are required to include lead based paint and asbestos reviews for properties build before 1978.

- HUD doesn't insure loans for new properties located within a 100 year flood plain.

- Substantial rehabilitation loans require adherence to Davis Bacon labor standards.

» www.wdol.gov/dba.aspx

FANNIE MAE

Fannie Mae financing is available nationwide in primary and secondary markets and is funded under the Fannie Mae Delegated Underwriting Services (DUS) Program. These loans are for stabilized properties only with a minimum $750,000 loan amount with rates that can be fixed or floating. FNMA financing can be used for traditional multi-family properties, student housing, affordable housing, or independent senior living. Maximum leverage is 80% on purchases and 75% on refinances within designated areas. Loans may be recourse or non-recourse.
» fanniemae.com/multifamily/index

FREDDIE MAC

A Freddie Mac Loan is a type of multi-family loan that is secured by a first-position mortgage on a traditional, student housing, senior housing, or affordable housing property. These mortgages may be held in the FHLMC portfolio (10% of mortgages) or sold to bond investors (90% of mortgages).
» freddiemac.com/blog/rental_housing/index.page

NEW MARKET TAX CREDITS

New Market Tax Credit (NMTC) was authorized in the Community Renewal Tax Relief Act of 2000 (PL 106-554) to stimulate investment and economic growth in low income urban neighborhoods and rural communities which lack access to the patient capital needed to support and grow businesses, create jobs, and sustain healthy local economies. If residential properties include commercial space then they may be eligible for NMTCs.
» irs.gov/businesses/new-markets-tax-credit-1

FEDERAL HOME LOAN BANK

The Federal Home Loan (FHL) Banks' Affordable Housing Program (AHP) is the largest private source of grant funds for affordable housing in the United States. It is funded with 10 percent of the FHL Banks' net income each year.
» fhlbanks.com/affordable-housing.html

OPPORTUNITY ZONES TAX CREDITS

Opportunity Zones (OZ's) are a new community development program established by Congress in the Tax Cut and Jobs Act of 2017 to encourage long-term investments in low-income and urban communities nationwide. OZ's are an economic development tool - that is, they are designed to spur economic development and job creation in our distressed communities, and can include residential development.
» business.utah.gov/news/opportunity-awaits-statewide-opportunity-zones-announced

BROWNSFIELD REMEDIATION

A Brownfield project as defined by the EPA is "a real property, the expansion, redevelopment, or reuse of which may be complicated by the presence or potential presence of a hazardous substance, pollutant, or contaminant." Brownfield remediation is being considered more and more often as a viable way to revitalize and spur economic development in communities. It is often dismissed by developers as being too expensive, but a number of studies actually show that remediation has a great number of public benefits as well as economic and environmental gains.
» epa.gov/brownfields

NATIONAL AND LOCAL IMPACT INVESTMENTS

Impact investments are investments made with the intention to generate positive and measurable social and environmental impact alongside a financial return. Impact investments can be made in both emerging and developed markets, and target a range of returns from below market to market rate, depending on investors' strategic goals. The growing impact investment market provides capital to address the world's most pressing challenges in sectors such as sustainable agriculture, renewable energy, conservation, microfinance, and affordable and accessible basic services including housing, healthcare, and education.

Impact investing challenges the long-held views that social and environmental issues should be addressed only by philanthropic donations, and that market investments should focus exclusively on achieving financial returns.

The impact investing market offers diverse and viable opportunities for investors to advance social and environmental solutions through investments that also produce financial returns. Many types of investors are entering the growing impact investing market. Here are a few common investor motivations:

- Banks, pension funds, financial advisors, and wealth managers can provide client investment opportunities to both individuals and institutions with an interest in general or specific social and/or environmental causes.

- Institutional and family foundations can leverage significantly greater assets to advance their core social and/or environmental goals, while maintaining or growing their overall endowment.

- Government investors and development finance institutions can provide proof of financial viability for private-sector investors while targeting specific social and environmental goals.

- Equity Funds / Money Market Fund / Below-Market-Rate Funds
  A money market fund is a kind of mutual fund that invests only in highly liquid instruments such as cash, cash equivalent securities, and high credit rating debt-based securities with a short-term maturity—less than 13 months. As a result, these funds offer high liquidity with a very low level of risk.

» thegiin.org/impact-investing/need-to-know

COMMUNITY FOUNDATION OF UTAH

The Community Foundation of Utah (CFU) is a 501(c)(3) nonprofit organization committed to enriching our community. CFU serves as Utah's catalyst for philanthropy through innovative, sustainable, and impactful grant making and works with nonprofit organizations, businesses, and individuals to target the most pressing needs in our community. By performing due diligence on our donors' behalf, they ensure that charities are thoroughly vetted. They also know Utah nonprofits and work with donors to make impactful gifts to the charities or causes they love. Additionally, CFU accepts complex assets, allowing donors to give in the way that is most beneficial to them and the community.
» utahcf.org

ENERGY EFFICIENT INCENTIVES

DEVELOPMENT AND SUSTAINABLE SALT LAKE CITY

Through a joint Mayor-Council resolution, Salt Lake City has committed to transition to 100% renewable electricity for our community by 2030 and reduce greenhouse gas emissions 80%, compared to a 2009 baseline, by 2040. To be successful we must accelerate adoption of "zero energy" and "zero energy ready" buildings among new and existing development in Salt Lake City.

SUSTAINABILITY AND THE BUILT ENVIRONMENT

Zero energy ready and zero energy buildings are designed, built, and operated to use dramatically less energy through improved building envelopes, daylighting and efficient lighting systems, air sealing, efficient heating and cooling systems, and commissioning to ensure optimal settings for heating and cooling. The difference between zero energy ready and zero energy, is that while both are ultra-energy efficient, a zero energy building has the added component of renewable energy to meet the remaining energy load of the building.
Better performing new and existing buildings are crucial to meeting the City's greenhouse gas reduction target and air quality goals. Emissions associated with electricity and natural gas use represent over 75% of our community carbon footprint. Reducing energy waste through efficiency and conservation represents a cost-effective way to address climate change and air quality issues while also saving businesses and households money. Reducing energy consumption also reduces the amount of renewable electricity required to make it zero energy.

FREDDIE MAC GREEN ADVANTAGE

The Green Assessment and Green Assessment Plus show borrowers how they can save energy or water. They reimburse up to $3,500 of the cost of the report when the borrower closes a loan.
» mf.freddiemac.com/docs/product/green_advantage_term_sheet.pdf

FANNIE MAE GREEN FINANCING

The Fannie Mae Green Financing Business provides mortgage financing to apartment buildings and cooperatives to finance energy and water efficiency property improvements.
» fanniemae.com/multifamily/green-initiative

RENEWABLE ENERGY TAX CREDITS

Established by The Energy Policy Act of 2005, the federal tax credit for residential energy property initially applies to: solar-electric systems, solar water heating systems, fuel cells, small wind-energy systems, and geothermal heat pumps.
» energy.gov/savings/residential-renewable-energy-tax-credit

RENEWABLE ENERGY SYSTEMS TAX CREDIT (UTAH)

The Renewable Energy Systems Tax Credit can be applied to both residential and commercial installations utilizing solar photovoltaic, solar thermal, wind, geothermal, hydro, and biomass technologies.
» energy.utah.gov/renewabletaxcredit

COMMERCIAL PROPERTY ASSESSED CLEAN ENERGY (UTAH)

Commercial Property Assessed Clean Energy (C-PACE) is a low-cost, long-term financing option for energy efficiency, renewable energy, and water conservation projects on commercial buildings, and can be used for residential buildings.
» energy.utah.gov/utah-c-pace

DOMINION ENERGY

ThermWise rebates and builders program.
» thermwise.com/builder/BuilderRebates.php

ROCKY MOUNTAIN POWER

Wattsmart multifamily program.
» www.rockymountainpower.net/savings-energy-choices/home/utah-multifamily-program.html

ICAST

ICAST (International Center for Appropriate and Sustainable Technology) is a nonprofit social enterprise that designs and launches programs to provide sustainable resource solutions for residential units. Services include: Multifamily building retrofits, energy and water conservation measures, demand side management utilities, solar services, Green Lending Incentives and financing.
» www.icastusa.org

ADDITIONAL TAX CREDITS, REBATES AND SAVINGS

For more up-to-date information:
» energy.gov/savings/search?f%5B0%5D=im__field__rebate__eligibility__shor%3A864818&page=7

Project Open (phase 1) by the Giv Group in Salt Lake City's Guadalupe Neighborhood is the first of its kind to be completely powered by the sun. Solar panels on the roof as well as those off-site allow for the building to be natural gas free, helping clear the air by creating no emissions. Every stall in the parking garage is wired for electric car charging stations, with five currently installed for the ride-share cars and available for residents' vehicles. Inside the units, Nest smart thermostats control the air conditioning and heat. The Nest helps residents maximize the efficiency of their system and allows them to track their energy costs throughout the month.

NATIONAL FINANCING, RESOURCES, AND TECHNICAL ASSISTANCE

ENTERPRISE COMMUNITY PARTNERS

Enterprise Community Partners offers financial tools and matches socially conscious investors with opportunities that yield economic returns alongside intentional and measurable impact for low-income communities.
» enterprisecommunity.org/financing-and-development

COMMUNITY REINVESTMENT ACT

The Community Reinvestment Act (CRA) was enacted in 1977. It mandates that banks provide loans, investments, and services to low- and moderate-income individuals and communities. It provides a framework that requires banks and community organizations to work together to promote the availability of credit and other banking services to low- and moderate-income communities. Non-profit organizations benefit from banks regulated by CRA through:

- Loans for low-income multi-family housing
- Loans to finance single family housing targeted to low-income borrowers
- Loans to finance community buildings
- Purchase of bonds issued by Utah Housing Corporation (UHC)
- Purchase of tax credits such as New Markets Tax Credits that finance community centers
- Participation in venture capital funds that finance and create jobs in small businesses

» industrialbankers.org/cra

THE NATIONAL ASSOCIATION OF HOUSING AND REDEVELOPMENT OFFICIALS

The National Association of Housing and Redevelopment Officials (NARHO) is the leading housing and community development advocate for the provision of adequate and affordable housing and strong, viable communities for all Americans, particularly those with low- and moderate-incomes.
» nahro.org

NATIONAL DEVELOPMENT COUNCIL

Founded as a national nonprofit in 1969, National Development Council (NDC) has worked for almost 50 years fulfilling its mission to increase the flow of capital for investment in low-income communities. NDC directs capital to support the development and preservation of affordable housing, the creation of jobs through training and small business lending, and the advancement of livable communities through investment in social infrastructure.
» ndconline.org

INCREMENTAL DEVELOPMENT ALLIANCE

The Incremental Development Alliance (IDA) began in 2015 in response to the common question from developers: how do I build a small building in the place I love? IDA offers trainings and technical assistance for aspiring small developers targeting infill, rehab, and Missing Middle Housing.
» incrementaldevelopment.org

STATE & COUNTY RESOURCES

THE OLENE WALKER HOUSING LOAN FUND

The Olene Walker Housing Loan Fund (OWHLF) is a revolving loan fund overseen by Utah's Housing and Community Development Division of the Department of Workforce Services. OWHLF supports quality affordable housing options that meet the needs of Utah's individuals and families with the purpose of developing housing that is affordable for very low-income, low-income and moderate-income persons as defined by HUD. The OWHTF is the State's distributor of HUD Housing Trust Funds and HOME Investment Partnership (HOME) funds and State Tax Credits.
» jobs.utah.gov/housing/affordable/owhlf/index.html

- **Multi-Family Program:** The Multi-family program provides financial assistance for the acquisition, construction, or rehabilitation of affordable rental housing of five or more units.

STATE PROPERTY RIGHTS OMBUDSMAN

The Office of the Property Rights Ombudsman is a neutral, non-partisan agency that helps citizens and developers understand and protect their rights to property ownership and use.
» propertyrights.utah.gov

SALT LAKE COUNTY HOUSING AND COMMUNITY DEVELOPMENT

Through the HOME Investment Partnership Program (HOME) funding, Salt Lake County provides 0%-3% loans to help finance (1) the cost of development and construction of rental housing; and (2) the cost of purchase & rehabilitation of existing rental housing projects.
» slco.org/housing-community-development/home-rehab,-repairs,-and-housing-development

SALT LAKE COUNTY CONTINUUM OF CARE

Salt Lake County is responsible for coordinating the HUD CoC Grant Application for the Salt Lake County Continuum of Care (UT-500). This application provides annual funding for local homeless housing and service programs, including the acquisition, rehabilitation, and new construction of residential units.
» slco.org/homeless-services/continuum-of-care

SALT LAKE COUNTY ASSESSORS

The Salt Lake County Assessor's website offers an extensive compilation of property related information including ownership and valuation of real and personal property in Salt Lake County.
» slco.org/assessor

LEAD ABATEMENT REHABILITATION

Salt Lake County Lead Safe Housing Program provides funding to remediate lead hazards in homes built before 1978 where children under the age of six reside or visit frequently.
» slco.org/lead-safe-housing

LOCAL AFFORDABLE HOUSING DEVELOPERS & TECHNICAL ASSISTANCE

ASSIST, COMMUNITY DESIGN CENTER

ASSIST provides architectural design, community planning and development assistance to nonprofit and community groups; housing repair for low income households; and accessibility design assistance to people with disabilities.
» assistutah.org

ARTSPACE

Artspace creates affordable live and work spaces for artists, cultural organizations, and nonprofits to revitalize and promote stable, vibrant and safe communities.
» artspaceutah.org

COMMUNITY DEVELOPMENT CORPORATION OF UTAH

Community Development Corporation of Utah (CDCU) is a 501(c)(3) nonprofit organization founded in 1990 to provide solutions for distressed neighborhoods in Salt Lake City. CDCU builds new single and multi-family housing, rehabilitates existing housing stock, and works to revitalize neighborhoods around the state. CDCU also provides a combination of critical community services including homebuyer education, homeowner case management, foreclosure prevention counseling, down payment assistance, and mortgage lending.
» cdcutah.org

COMMUNITY DEVELOPMENT FINANCE ALLIANCE

Community Development Finance Alliance (CDFA) is a 501(c)(3) nonprofit and certified Community Development Entity (CDE) formed in 2010. CDFA's mission is to provide capital to support the development of community and educational facilities and mixed-use projects that provide strong economic and social impacts to the low income communities and the low-income persons they serve. CDFA is a mission-driven CDE that offers creative, flexible financing to address the obstacles faced by nonprofit organizations, government agencies and others in obtaining conventional financing.
» cdfautah.org

COWBOY PROPERTIES

Utah based Cowboy Properties is a multi-family, mixed-use, and affordable housing developer and property manager.
» site.cowboy.us/company

GIV DEVELOPMENT

Giv Development creates sustainable, lasting and innovative structures that reside well in their place. Giv's primary areas of focus centers around mixed-use, catalytic developments in urban corridors.
» givdevelopment.com

HOUSING AUTHORITY OF SALT LAKE CITY

The Housing Authority of Salt Lake City (HASLC), a federally funded Special Purpose Government Agency, was created in 1970 to provide rent subsidies and promote affordable housing for low-income persons residing in Salt Lake City.
» haslcutah.org/about

HOUSING CONNECT

Also known as the Housing Authority of Salt Lake County (HASLC), Housing Connect is a full service housing authority that assists individuals, families, elderly, physically and mentally disabled residents who are low-income. Housing Connect has constructed or acquired hundreds of public housing units in Salt Lake County.
» hacsl.org/about

LEBEAU DEVELOPMENT, SUPPORTIVE HOUSING TOOLKIT

The Supportive Housing Toolkit, designed by LeBeau Development, is a series of technical assistance and peer learning sessions designed to help non-profits, housing authorities, and service providers increase the number of permanent supportive housing units available in their community.

» beauxsimone.com

NEIGHBORWORKS SALT LAKE

NeighborWorks Salt Lake 501(c)(3) is a nonprofit affordable housing and community development agency that offers homeownership and empowerment resources for low-income households.

» nwsaltlake.org

RESTORE UTAH

Restore Utah is a real estate investment company and operator. Restore concentrates on single and multi-family properties in low-and moderate-income geographies.

» restore-utah.com

ROCKY MOUNTAIN COMMUNITY REINVESTMENT CORPORATION

Through sustainable direct lending, technical assistance and community collaboration, Rocky Mountain Community Reinvestment Corporation (RMCRC) facilitates the development and preservation of safe and clean affordable housing and community facilities that serve low- to moderate-income individuals, families and underserved communities throughout the Rocky Mountain region.

» rmcrc.org/about-us

UTAH CENTER FOR NEIGHBORHOOD STABILIZATION

Utah Center for Neighborhood Stabilization (UCNS) administers the Transportation Oriented Development Loan Program to provide financing for projects near major bus routes, light rail stops, and TRAX stops for mixed-use development for affordable workforce housing and commercial space.

» utcns.com

UTAH HOUSING COALITION

Through education, advocacy, and community partnerships, the Utah Housing Coalition is dedicated to building equitable and sustainable communities to ensure all Utah residents have a safe and affordable place to live. Services include outreach and partnership building among diverse groups, and organizing trainings and capacity building for housing professionals.

» utahhousing.org/about-us.html

UTAH HOUSING CORPORATION

Utah's Housing Finance Agency (HFA) manages Utah's Low Income Housing Tax Credit program and allocation process.

» utahhousingcorp.org

UTAH NONPROFIT HOUSING CORPORATION

Founded in 1967, Utah Non-Profit Housing Corporation (UNPHC) is Utah's largest non-profit developer of affordable multi-family housing. UNPHC is a 501(c)(3) organization and a Community Housing Development Organization (CHDO). UNPHC has developed or acquired/ rehabilitated more than 50 family, senior, and special needs properties to date.

» unphc.org/about-us

WASATCH ADVANTAGE GROUP

Provides a pathway to immediately deploy capital into growing marketplaces by repositioning existing communities through affordable rents and allowing investor to receive the benefit of LIHTC.

» wasatchgroup.com

CITY RESOURCES

SALT LAKE CITY, HOUSING AND NEIGHBORHOOD DEVELOPMENT DIVISION (HAND)

Develops and enhance livable, healthy, and sustainable neighborhoods. HAND builds neighborhoods by maximizing city-owned property, providing funding, and creating housing.
» slc.gov/hand

Growing SLC: A Five Year Housing Plan, 2018-2022

On December 12 2017, the Salt Lake City Council voted unanimously to adopt *Growing SLC: A Five Year Housing Plan 2018-2022*, the first housing plan for the City since 2000. *Growing SLC* lays out a number of comprehensive solutions and policies to address the lack of affordable housing for households earning 40% or below the Area Median Income.

Housing Data

Growing SLC includes the objective of providing residents, community advocates, business leaders, and elected officials with high quality data to drive decision-making. The website (www.slc.gov/hand/housingplan) provides a public-facing set of housing metrics for insights into key market characteristics. The indicators illustrate important data on housing and track updates on progress over time to drive decisions, understand impact, and help inform solutions to Salt Lake City's housing crisis.

HOME Development Funds

Salt Lake City opperates a HOME Development Fund. Projects supported with this funding are subject to federal HOME regulations and strict timing requirements. The funds are typically low interest or deferred loans for multi-family development. Applications can be submitted online through ZoomGrants and are accepted year-round.

Community Housing Development Organization

At least 15 percent of HOME Investment Partnerships Program (HOME) funds must be set aside for specific activities to be undertaken by a special type of nonprofit called a Community Housing Development Organization (CHDO).
A CHDO is a private nonprofit, community based organization that has staff with the capacity to develop affordable housing for the community it serves. In order to qualify for designation as a CHDO, the organization must meet certain requirements pertaining to legal status, organizational structure, capacity, and experience.

Renter Rehab Program

The Renter Rehab loan program assists owners of investor owned units to make needed repairs to their properties. To qualify, at least 51% of the units must be rented at or below Fair Market Rents. Depending on loan committee approval, rates range between 0-5%, over 20 years.

SALT LAKE CITY, REDEVELOPMENT AGENCY (RDA)

The Redevelopment Agency (RDA) receives State Redevelopment Area funds and offers a Redevelopment Loan Program for affordable or mixed-income housing. Economic Development Area (EDA), tax-increment financing (TIF), and Community Reinvestment Areas (CRA) are additional sources of direct or leveraged funding for affordable housing.
» slcrda.com

Tax Increment Reimbursement Program

The RDA's Tax Increment Reimbursement Program helps achieve the RDA's goals and objectives, including the development and preservation of affordable housing, by offering a tax increment reimbursement to developers for building eligible projects. Tax increment reimbursements are based upon the difference between the initial taxable value of a property prior to improvements and the increased taxable value resulting from said improvements.

Loan Program

The RDA Loan Program provides critical gap financing for projects that advance the RDA's goals and objectives, including the development and preservation of affordable housing. Gap financing is available to eligible projects to bridge the funding gap between the project's economics and market realities. In support of the RDA's mission, the RDA can assume a higher level of risk than traditional lenders to ensure that transformative projects get built.

Notice of Funding Availability (NOFA) for Affordable Housing

The RDA periodically dedicates funds for the development and preservation of affordable housing to be allocated through a competitive and transparent public process, otherwise known as a Notice of Funding Availability. Low cost financial assistance is committed to projects to incentivize the development and preservation of affordable housing within the city limits. The program provides flexibility to accommodate a wide range of projects that may be dependent upon myriad of underwriting standards by outside lenders.

Housing Trust Fund

Multi-family housing financing for acquisition, rehabilitation, or new construction. Timeline from application to approval can take between 4-7 months. Projects are reviewed by staff, and then reviewed by the Housing Trust Fund Advisory Board prior to seeking final approval from the City Council. Housing Trust Funds can support up to 50% of the per unit costs and applications are considered year-round.

Property Acquisition/Disposition

In addition to programs, the RDA supports the development of affordable housing by acquiring property to market for strategic redevelopment. As per the Utah Community Reinvestment Agency Act, the RDA may sell, convey, grant, gift, or otherwise dispose of any interest in real property to provide for the development of affordable housing. Disposition of all RDA-owned real property, including land write-downs, shall abide by the RDA's real property disposition policy.

SALT LAKE CITY, PLANNING

Free Design Review Team meetings to review zoning and permitting, planning Counter/ One-Stop Shop, current projects, zoning maps, historic preservation resources, master plans, neighborhood plans, and citywide plans.
» www.slc.gov/planning

SALT LAKE CITY, BUILDING SERVICES DIVISION

Free Preplanning Meetings to review building codes, Open Counter, fee schedules, building codes, permits, and inspections, and certificates of occupancy.
» www.slc.gov/buildingservices

CITIZEN ACCESS PORTAL

The City offers a Citizen Access Portal: an online tool for business development. This guide makes it easier for applicants to find permit and zoning requirements for their business. In OpenCounter, Salt Lake City customers can easily learn where different use types are permitted, details on all City permits and their associated processes, and fees required.

» citizenportal.slcgov.com

NOTICE OF PARCELS FOR BID

Under the Utah Procurement Code, Salt Lake City lists all notices of parcels for bid through Sciquest, Utah Public Procurement Place.
» solutions.sciquest.com

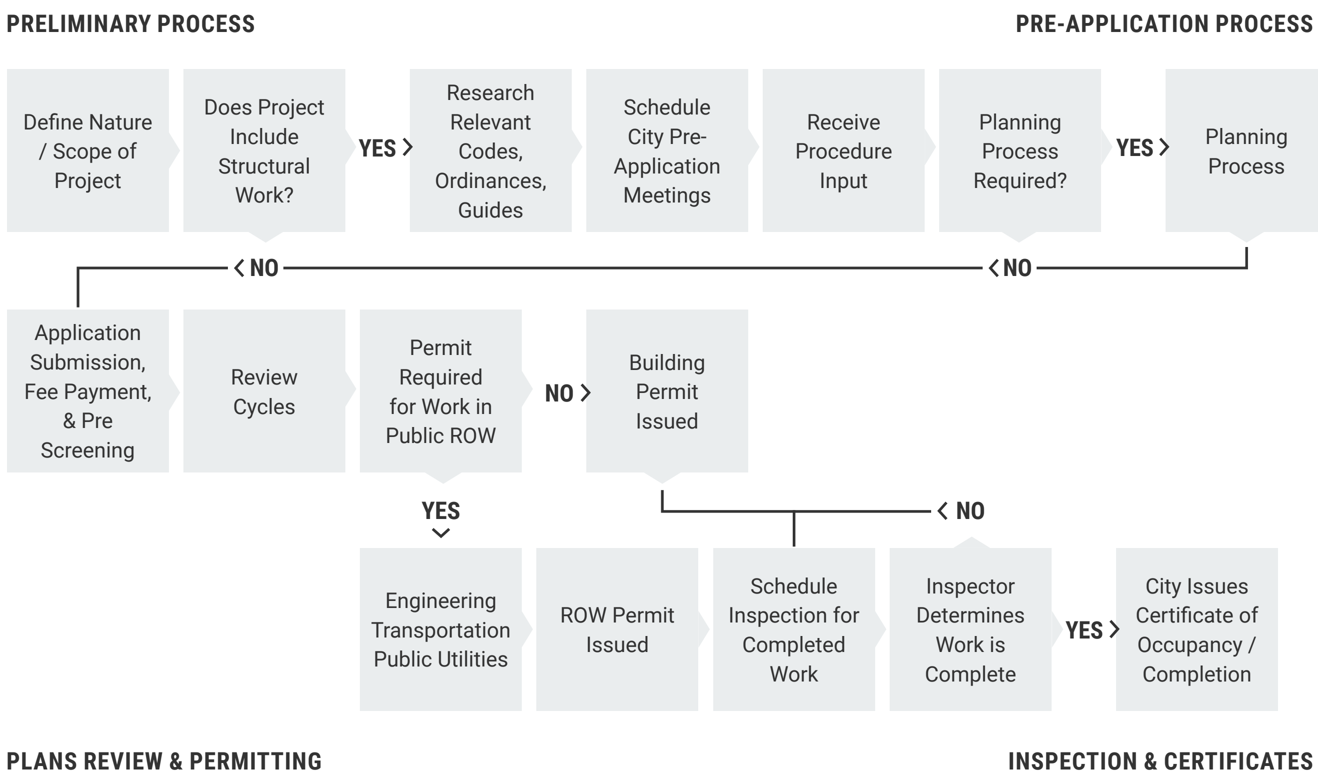
OTHER DIVISIONS AND RESOURCES

Salt Lake City offers a wide range of additional resources and technical assistance for the development of affordable units.
» www.slc.gov

- Divisions: Urban Forestry, Public Services, Fire Department (Fire Codes), Public Utilities, etc.

- Some housing affordability projects may be eligible for additional development benefits, subject to City officials and management approval, including: Impact, Building Permit, Plan Review fee waivers, disposition of city-owned land, land discounts, interest rate discounts, and below market sales. For more information about these possibilities, please contact staff at HAND or RDA.

SLC BUILDING SERVICES: PROCCESS FLOW CHART



THANK YOU FOR HELPING BUILD AN EQUITABLE AND AFFORDABLE CITY

HOUSING AND NEIGHBORHOOD DEVELOPMENT

SLCRDA