



NOTICE OF FUNDING AVAILABILITY (NOFA) FOR ACCESSORY DWELLING UNIT FINANCING PROGRAM

Guidelines and Application Handbook

THE APPLICATION DEADLINE IS FRIDAY, SEPTEMBER 27, 2024 AT 3:00PM MT

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SECTION 1: INTRODUCTION & OVERVIEW

1.1 Introduction

In releasing this Notice of Funding Availability (“NOFA”), the goal of the Redevelopment Agency of Salt Lake City (“RDA”) is to provide financial assistance to homeowners for the construction of accessory dwelling units (“ADUs”) on Salt Lake City’s Westside—generally defined as west of I-15 to the city’s western boundary (see Attachment A for map). Qualified organizations that demonstrate their ability to administer a program to support the construction of ADUs are encouraged to apply. As provided in more detail below, this program may involve the underwriting and servicing of ADU construction and/or permanent financing or the management of another financial resource that furthers the following goals:

- Increasing the supply of affordable housing in Salt Lake City
- Incrementally increasing density in primarily single-family neighborhoods
- Providing homeowners the opportunity to build wealth through ADU construction and leasing
- Increasing neighborhood stability and investment

1.2 Background

Constructing ADUs may prove an impactful strategy to solving the region’s housing affordability crisis. ADUs are small rental housing units—attached or detached—located on the same parcel as the primary house. They are typically rented and managed by the owner of the primary house who also lives on site. ADUs are flexible, allowing homeowners to earn rental income, downsize into the ADU, or provide intergenerational housing. They are also typically less expensive to build than a new home or apartment unit and tend to be rented below market rates—perhaps even free to the owner’s friends or family.

Unfortunately, increased interest rates have made financing ADUs through a cash-out refinance or home equity line of credit less appealing or financially inaccessible for homeowners. The lack of financing options has led to the uneven distribution of where new ADUs are constructed in Salt Lake City. The City’s Planning Division produced an [ADU report](#) in 2021 that shows homeowners in single-family neighborhoods east of I-15 are building ADUs at a higher rate than homeowners west of I-15, despite having similar lot sizes and zoning requirements.

Resources developed through this NOFA are intended to help Salt Lake City homeowners in Westside neighborhoods build ADUs. The RDA is committed to launching a pilot ADU financing program on the Westside primarily due to its large amount of single-family housing stock, relatively high homeownership rates, and lack of ADU construction to date.

1.3 NOFA Inquiries

- Questions:** During the application period, prospective applicants may submit clarification questions to the RDA about the NOFA through the Utah Public Procurement system. The RDA will respond to all questions submitted and will distribute the responses to all registered users of the system. **Questions will be answered as they come in and must be submitted no later than Friday, September 13, 2024 at 5:00pm MT** to allow sufficient time for the RDA to respond to questions and for applicants to consider or incorporate the guidance in their proposals. Prior to the application deadline, please check the RDA’s website, www.slcrda.com, regularly for any updates, corrections, or posted questions and answers regarding the NOFA.
- Information Session:** RDA staff will host a information session on **Monday, August 5 at**

10:00am MT to explain this opportunity and answer questions potential applicants may have. Please email Austin Taylor at austin.taylor@slcgov.com to request an invitation to the virtual meeting

1.4 Submittal Period and Deadline

Applications will be reviewed and considered for the duration of the NOFA period, but must be received no later than **Friday, September 27, 2024 at 3:00pm MT**. Submittal documents shall be combined and emailed in a Portable Document Format (.pdf) to:

Austin Taylor, RDA Project Manager, at austin.taylor@slcgov.com.

1.5 Submittal Requirements

To be considered complete, application submittals must meet the application requirements as outlined in Section 4. Incomplete applications will not be accepted.

1.6 Funding Decision

After an initial review to ensure applications are complete and meet threshold requirements, the process for awarding funding shall be carried out in two parts: 1) the RDA Finance Committee shall evaluate applications and provide funding recommendations, and 2) the RDA Board of Directors shall consider funding recommendations and select projects for funding awards subject to the negotiation of final terms.

1.7 Helpful Resources

[Housing SLC](#) is a plan to guide Salt Lake City’s housing-related efforts over the next 5 years.

[Thriving in Place](#) is Salt Lake City’s strategy and action plan that identifies key areas of work necessary to address the multiple factors that drive displacement and create long-term solutions that can help residents remain in place.

The [Westside Master Plan](#) includes the 9-Line Project Area, which will be the geographic focus of an initial ADU financing program.

The [9-Line Community Reinvestment Area](#) Plan details the RDA’s goals and planned tasks for Westside neighborhoods inside the 9-Line Project Area.

SECTION 2: GENERAL PROVISIONS

2.1 Funds Availability

Through this NOFA, the RDA intends to solicit, evaluate, select, and fund programs that provide financial assistance to help homeowners build ADUs in Westside neighborhoods. RDA funds may be used to make loans or grants to homeowners, pay for staff time, or other expenses associated with providing homeowners with financial assistance to build ADUs.

The RDA Board of Directors has set aside \$1.15 million for this NOFA to fund ADU financial assistance program(s) anywhere in the City. The RDA also has \$1.75 million to fund programs in the 9-Line Project Area; the Board may be able to release these funds for citywide use through a budget amendment. Applicants must justify their need for the requested funding amount and demonstrate their own financial commitment to the program. Funding shall be allocated through a competitive and transparent public process to be administered by the RDA, for which any organization may apply with a project that meets RDA goals. Multiple projects may be funded.

Any funds not spent or distributed at the end of the program must be returned to the RDA. This may include, for example, unspent loan loss reserve funds, revolving loan funds, grant money not distributed, etc.

2.2 Program Goals

The purpose of this funding is to expand opportunities for homeowners in Salt Lake City's Westside neighborhoods to build ADUs. This shall be accomplished by providing homeowners with financial assistance, whether through loans, grants, or another financing mechanism.

The RDA aims to fund programs that meet the following goals:

1. Increasing the supply of affordable housing in Salt Lake City
2. Incrementally increasing density in primarily single-family neighborhoods
3. Providing homeowners the opportunity to build wealth through ADU construction and leasing
4. Increasing neighborhood stability and investment

2.3 Funding Commitment

Successful applicants under the NOFA will receive a conditional commitment of funding, the length of which will be determined by the project scope, timing, and approvals. The RDA will then work with the applicant on a contractual agreement before launching the program and releasing funds.

2.4 Timeline

This program is to be piloted on the city's Westside for a maximum of two years, or until program funds are exhausted, whichever is sooner. If proven successful, the RDA may choose to extend the timeline and possibly expand the program citywide. Additional funding allocated for the program may also be considered.

2.5 Affordability Requirement

The ADU assistance program must provide targeted financing assistance for ADUs that are rented to households earning 80% of the Area Median Income (AMI) or less at affordable rents—as [defined by HUD standards](#). To ensure this affordability, the ADUs must be both income and rent restricted and proposals must contemplate how compliance with rental affordability standards will be maintained. Alternatively, programs may finance ADU construction without rental restrictions for homeowner households at or below 80% AMI; these programs must also contemplate how to ensure funds are used to benefit those households at or below 80% AMI.

Utah State Code Title 17C-1-411 (1) (a) enables the RDA to fund housing development for people of all income levels within project areas. Outside of project areas, Utah State Code Title 17C-1-411 (1) (b) allows RDAs to facilitate the development of affordable (not market-rate) housing.

2.6 Attached and/or Detached ADUs

The ADU assistance program should support attached and/or detached ADU construction and propose different funding structures for each if necessary.

2.7 Marketing Strategy

Program partners should describe their proposed outreach and marketing strategy for successful engagement with homeowners on the Westside. Successful marketing concepts may include creative or nontraditional ways to disseminate information regarding the program and ADUs in general.

2.8 Sustainable Building Design

Per the [RDA's Sustainable Development Policy](#), all newly-constructed ADUs receiving \$200k or more of RDA money must be designed to meet a Designed to Earn ENERGY STAR target of 90 or

higher and be designed and built to use electricity as their only fuel source. ADU projects receiving less than \$200k in RDA funding are exempt from this requirement but should strive to incorporate sustainable building practices into the ADU, if practicable.

2.9 Code Compliance

The ADU assistance program must comply with all current building code regulations and zoning (Section [21A.40.200 of Salt Lake City Zoning Code](#)), including requiring owner occupancy in one of the two units and prohibiting short-term rentals.

SECTION 3: THRESHOLD REQUIREMENTS

3.1 Eligible Applicants

Applications will be accepted from:

- i. For-profit corporations, partnerships, joint ventures, or sole proprietors
- ii. Private incorporated non-profit agencies with IRS 501(c) designation
- iii. Public housing agencies or units of government

Applicants and their teams must have the experience, financial expertise, and technical capacity to deliver a program that meets all of the requirements contained herein.

3.2 Eligible Program Types

The following program types are eligible for funding in this NOFA:

- i. Loans—construction, construction-to-permanent, and permanent financing for ADUs
- ii. Grants—financial awards that help the homeowner to build an ADU
- iii. Other financing mechanisms—creative financing products or structures that help homeowners build an ADU

3.3 Eligible Area

Eligible programs shall fund ADU construction in Salt Lake City’s Westside neighborhoods. Refer to *Attachment A* for a map of the eligible area.

SECTION 4: APPLICATION REQUIREMENTS

4.1 Application Components

To be considered complete, application submittals must include all of the following components:

SECTION	DESCRIPTION
1	Please include the following information: A. Applicant summary B. Program summary C. Alignment with RDA program goals and priorities
2	Please include the following information: A. The proposed approach to administering an ADU financial assistance program on the city’s Westside B. How the program will help homeowners fund ADU construction C. How the program will meet the threshold requirements and optional preferences as listed in this document

	<ul style="list-style-type: none"> D. How the program will accomplish the RDA's goals as listed in this document E. How the program will be launched, advertised, and managed including an estimated timeline to get the program up and running and the mechanism to be used to enforce affordability requirements F. Any other unique features of the proposed program that would further the RDA's goals
<p>3 Applicant Experience Narrative</p>	<p>Please include the following information:</p> <ul style="list-style-type: none"> A. Applicant's experience working on similar programs B. Applicant's ability to successfully launch the program C. Applicant's capacity to manage the project for the long-term and possibly city-wide if pilot program is expanded after initial two years D. Program team overview E. Role of each program partner and major consultant used on this program
<p>4 Financial Narrative</p>	<p>Please include the following information:</p> <ul style="list-style-type: none"> A. Requested funding amount from RDA B. Additional funding sources to be contributed to the program including those that are committed and proposed C. The proposed use of all program funds including the total amount of funds required to be successful D. The proposed use of RDA funds specifically (i.e. revolving loans, grants, loan loss reserve, etc.)
<p>5 Other Attachments</p>	<p>Please include the following information:</p> <ul style="list-style-type: none"> A. Cash flow models B. Sources and uses C. Letters of support D. Any other relevant supporting documentation

4.2 Completeness

Applications in response to this NOFA must be submitted as per the competitive application process administered through the Utah Public Procurement system. Applications that are not received prior to the time and date specified will be deemed late and will not be considered.

Submissions lacking one or more of the requested documents may be considered incomplete or irregular. The RDA reserves the right to reject any incomplete or irregular submission and reserves the right to waive any non-material irregularity in submissions. **The RDA reserves the right to reject any or all applications.**

Applications that are not received by the RDA prior to the time and date specified will be deemed late and will not be accepted. Applications must be submitted via email as follows:

Email Submittal: Applications shall include all required documents combined and be submitted via email in one Portable Document Format (.pdf) file and submitted to:

Austin Taylor, RDA Project Manager
austin.taylor@slcgov.com

The subject line should contain: "NOFA Application for (**applicant name**)". Submittals that do not

include the requirements as outlined in Section 4.1 or are time-stamped later than 3:00 PM MT on Friday, September 27, 2024 due to either human or technological error, will not be accepted.

SECTION 5: APPLICATION, REVIEW, & APPROVAL PROCESS

The Application, Review & Approval Process will be conducted through an evaluation of projects which meet all thresholds established in Section 3. Applications that satisfy these criteria will be reviewed by the RDA’s Finance Committee and Board of Directors. **The application deadline is Friday, September 27, 2024 at 3:00pm MT.**

PHASE	DATE/TIME	MILESTONE
1 Application	Monday, July 29, 2024	<ul style="list-style-type: none"> • NOFA released
	Monday, August 5, 2024	<ul style="list-style-type: none"> • NOFA Informational Meeting (Webex Meeting Link)
	Friday, September 13, 2024, 5:00pm MT	<ul style="list-style-type: none"> • Deadline for questions
	Friday, September 27, 3:00pm MT	<ul style="list-style-type: none"> • Applications due
2 Threshold Review	October 2024	<ul style="list-style-type: none"> • Applications that meet Threshold Requirements proceed to Phase 3
3 Project Evaluation and Review	October 2024	<ul style="list-style-type: none"> • Applications that are forwarded from Phase 2 will be further evaluated and ranked • RDA Finance Committee to provide program funding recommendations forwarded to the RDA Board.
4 Project Selection	Meeting of the Legislative Body tentatively scheduled for November 2024	<ul style="list-style-type: none"> • RDA Board of Directions review and provide final program funding approval
5 Funding Award	Varies by project	<ul style="list-style-type: none"> • Conditional commitment letter
		<ul style="list-style-type: none"> • Firm commitment and funding

The five phases of the application process are described below.

1. **Application:** A competitive application process shall be administered through the Utah Public Procurement system.
2. **Threshold Review:** Applications must meet every one of the requirements outlined in Section 3 or they will be deemed ineligible and will not be reviewed further. Applications that meet all of the Threshold Requirements will advance to Phase 3, *Project Evaluation and Review*.
3. **Project Evaluation and Review:** Applications that meet all Threshold Requirements will be evaluated based on the following items:
 - i. Alignment and understanding of the RDA's program goals
 - ii. Content and quality of the program narrative
 - iii. Effectiveness of the proposed program approach

- iv. Qualifications and experience of the applicant team as well as their capacity to manage the program for two or more years
- v. Content, effectiveness, and appropriateness of the budget, sources and uses, and related assumptions
- vi. The readiness of the program to launch

As applications are evaluated and ranked, they will be forwarded to the RDA Finance Committee. Programs that the Committee finds to score most competitively will be recommended to the RDA Board of Directors for a conditional commitment for funding.

- 4. **Program Selection:** The RDA Board of Directors will make the final selection of programs identified for a conditional commitment of funding.
- 5. **Funding Award:** The funding award process will be carried out in two subparts as follows:
 - i. **Conditional Commitment Period**—The RDA will issue a Conditional Commitment letter to those applications that are selected for funding by the RDA Board of Directors. The Conditional Commitment letter between the RDA and the applicant will contain the covenants, terms and conditions upon which the RDA will provide financial assistance for the proposed program once financial, legal, regulatory, and design approvals are obtained. The Conditional Commitment Period will be determined on a case-by-case basis depending on the program’s scope and timeline.
 - ii. **Program Funding Agreement**—The RDA and applicant will negotiate terms and enter into a program funding legal agreement.
 - iii. **Firm Commitment & Closing**—Programs that successfully meet conditions will be invited to execute a Letter of Commitment that finalizes the funding terms, subject to a set of conditions precedent to closing.

SECTION 6: COMPLIANCE

Each applicant must certify that the program is, and will be, in compliance with all applicable federal, state, and local rules and regulations. Programs will be subject to ongoing monitoring to evaluate and ensure that projects are complying with affordability requirements, applicable funding priority policies, and other requirements as determined in the program funding agreement.

SECTION 7: ADDITIONAL PROGRAM COMPONENTS

Though not required, the RDA encourages applicants to include one or more of the following program components:

1. Landlord Training & Tenant Screening

The program may include a landlord training and property management assistance component.

2. Cost Savings Strategies

The program may include strategies to cut the overall cost to build or finance ADUs in their program proposals such as [using pre-approved floor plans](#), manufactured ADUs, discounted loan fees and interest rates, etc.

3. Technical Assistance

The program may include a development assistance component to help homeowners through this process. RDA staff's stakeholder interviews have revealed that navigating the development process—design, permitting, financing, construction, and property management—can be just as big of a barrier as financing.

4. Funding Sources

The program may leverage RDA funding with these or other financing sources to increase the program's impact:

- Olene Walker Housing Loan Fund (allocated \$500k from the State Legislature in 2021 to launch an ADU financing program)
- HUD Housing Choice Vouchers
- Private debt
- Philanthropy
- Investor equity

SECTION 8: ATTACHMENTS

Attachment A: Westside Program Target Area Map

Attachment A: Westside Program Target Area Map

