COUNCIL TRANSMITTAL

TO: Rocky J. Fluhart Rocky
Chief Administrative Officer

FROM: Steve Fawcett

SUBJECT: Approval of Transfer of Municipal Assets under Utah Code Annotated Section 10-8-2

STAFF CONTACT: Kay Christensen
535-7677

DOCUMENT TYPE: Information on several Appropriation Requests for Public Inspection and Public Hearing as required by UCA Section 10-8-2

BACKGROUND/DISCUSSION: This information is being provided in compliance with UCA Section 10-8-2, which states the purposes for which a municipal body may appropriate funds. The Statute sets forth a specified process which must be followed to determine if a charitable contribution can be made. The process has three steps:

1. A study must be performed that identifies the net equivalent value received by the City in exchange for any City asset contributed. The benefit may be intangible. The study must consider the following factors:

a. The specific benefits to be received by the City;

b. The City's purpose in making the appropriation, including an analysis of how the safety, health, prosperity, moral well-being, peace, order, comfort or convenience of the residents of Salt Lake City will be enhanced; and

c. Whether the appropriation is "necessary and appropriate" to accomplish the City's goals.

2. Notice of a public hearing must be published in a newspaper of general circulation at least 14 days prior to the date of the hearing, and the notice must include the availability of the completed study for public inspection.

3. A public hearing must be held by the City Council and the Council must make a determination that the appropriation will provide for the safety, health, prosperity, moral well-being, peace, order, comfort or convenience of the residents of the City, and that the net value received by the City will constitute adequate consideration or equivalent value for the benefit being provided by the appropriation.

Attached are several studies done by the Administration which must now go through the next two phases of the process outlined in UCA 10-8-2. We request that the Council publish the study as required and set a hearing date.

MEMORANDUM

TO: Rocky Fluhart
Chief Administrative Officer

FROM: Laurie Donnell
Sr. Administrative Analyst

DATE: May 6, 2005

CC: Alison McFarlane, Ed Rutan, Steve Fawcett, Robert Gore

SUBJECT: Study of Benefits for the Small Business Revolving Loan Fund

---

Since 1994, Salt Lake City Corporation has made low-interest loans available to businesses located in or relocating to Salt Lake City. The program is intended to stimulate small business development and expansion, encourage private investment, promote economic development, and enhance neighborhood vitality in Salt Lake City.

To ensure that the action of Salt Lake City is in compliance with UCA 10-8-2, this study identifies the benefits to the City in making these loans, how the loans meet the City's purpose, and why the loans are needed to accomplish Salt Lake City's goals.

Loan Criteria
The following requirements have been identified for businesses requesting a loan from the program. Start-up businesses and those with less than three years of operating history may qualify for loans up to $100,000 if they provide collateral sufficient to secure at least a minimum of 25% of the loan and make a cash injection of 10% of the City's loan amount. Established businesses with at least three years of operating history may qualify for loans up to $100,000 if they present collateral sufficient to secure at least a minimum of 25% of the loan, or loans greater than $100,000 if they provide a 2-to-1 ratio of other financing to City funds and fully collateralize the loan. The interest rate for all loans is fixed for the term of the loan, and is set at the current prime rate for applicants scoring above 70 points on the loan criteria matrix. A 1% loan origination fee is charged to cover the costs of administering the loan, and borrowers are required to cover the cost of any filing fees, appraisals, closings, and reports.

Loans are awarded based on a loan evaluation matrix, with scores being ranked by the City's Small Business Loan Committee. The committee includes seven Salt Lake City Corporation staff members from the City Council, the Redevelopment Agency, Planning, the Treasurer's Office, Community Affairs, Community Development, the Attorney's Office, and a representative from Zion's Bank. The committee ranks the application based on an applicant's credit history, ability to repay the loan, collateral to secure the loan, management ability and business experience, neighborhood impacts of the business, and fiscal impacts of the loan. The fiscal impacts can relate to job creation and retention, leverage of public to private funds, and impact on the City's tax structure. The loan evaluation matrix has a total of 100 points, and a loan application must receive at least 70 points to be recommended to the Mayor for final approval. Existing businesses are also evaluated in terms of any crime issues relating to the business. Based on a Police Department report, a loan will be denied to any business that has crime issues which the City is not satisfied that it is working to control.

Loan funds may be used for the acquisition of land and buildings, new construction, facade and building renovation, landscape and property improvements, machinery and equipment, and working capital. Refinancing of existing business debt will only be considered as part of a business expansion. Loan terms are typically 5 years, but can be up to 7 years for equipment and 20 years for acquisition of land and building construction. Loans will be guaranteed by the business and personally by the borrower. In addition, the borrower is required to agree to subordinate all officer debt and defer monthly payments to all officers to the City's loan. The City encourages participation of private lending institutions and prefers to provide funds to fill the gap between the owner's equity and conventional financing. The City has the option to subordinate its security interest to the private lender.

Several requirements are in place regarding financial information and insurance to verify the financial viability of the business and to cover the City in the event of loss. Before issuing a loan, the committee requires the following: personal and business financial statements, a business plan, a budget outlining the use of the funds, personal and business state and federal income tax returns, corporate articles and bylaws (if applicable), proof of business registration, a real estate contract if a building or land is being purchased, and at least two bids if equipment is being purchased. Comprehensive general liability insurance is required with a minimum insurance coverage of $1,000,000 per occurrence, and fire and casualty insurance in an amount at least equal to all indebtedness on the property with Salt Lake City Corporation named as a "loss payee". Workers compensation is also required. If the loan is greater than $100,000, key person life insurance is also required.

Benefits and Costs to Salt Lake City: The primary monetary benefits to Salt Lake City for these loans are the repayment requirements for the original loan amount, and the prime rate charged as interest to be paid on the principal of the loan. For every fiscal year since 1995, the prime rate has typically been between 2 and 3 percent higher than what Salt Lake City has earned on its general fund pooled investments. The differences over the last ten years are shown in the table following.[1] The prime rate is consistently higher than the rate the City has earned on pooled investments. The rate of return for pooled investments represents what the City could earn on the funds if they were not used for the loan program. The comparison indicates that for the year the loan originates, the

[1] Historical Chart of Prime Rate, Source: Federal Reserve Board. Accessed on May 6, 2005, through http://www.nfsn.com/library/prime.htm. Salt Lake City Corporation Average Rate Earned on Pooled Investments General Fund Only provided by Salt Lake City Treasurer, Dan Mule', as of March 31, 2005.

City can expect to earn more from the interest on its loan investments than what it earns on its pooled investments. A positive return is not guaranteed for every loan, however, because the loans are typically for a five year term during which the earned rate of interest can be higher than the rate at which the loan was set.

Comparison of Prime Rate to Rate Earned By Salt Lake City on Investments

Fiscal Year	Average Prime Rate (%)	Rate Earned by Salt Lake City (%)	Difference between Prime Rate and Earnings
1995	8.31	5.39	2.92
1996	8.54	5.48	3.06
1997	8.31	5.51	2.80
1998	8.50	5.65	2.85
1999	8.00	5.20	2.80
2000	8.54	5.89	2.65
2001	8.83	5.98	2.85
2002	5.42	3.07	2.35
2003	4.46	2.48	1.98
2004	4.00	2.03	1.97
2005*	4.83	2.56*	2.27

*Time period is from July 1, 2004 through March 31, 2005.

The intangible benefit to Salt Lake City is the increase in the number and size of businesses in Salt Lake City. The businesses that have taken the loans are located throughout the City, so the economic development is not limited to one area of Salt Lake City. Other benefits to Salt Lake City that will vary based on how the loan is used are a potential increase in property value, which increases the amount the City receives in property tax, and a potential increase in sales tax revenue resulting from increased retail activity. Salt Lake City is limited in the incentives or economic development programs it can offer small businesses, and the loan is a tangible and beneficial resource the small business owner can receive from the City.

A concern about the loan program is that it competes with private lenders. This is mitigated by the City's position that encourages the participation of private lenders, and the City's preference to provide "gap" financing.

Meeting Salt Lake City's Purpose and Enhancing the Quality of Life for Residents: The City considers these loans in order to stimulate small business development and expansion, encourage private investment, promote economic development, and enhance neighborhood vitality in Salt Lake City.

Accomplishing Salt Lake City's Goals: The loan program can be considered necessary and appropriate to accomplish Salt Lake City's goals in the area of economic development. An objective identified in the Salt Lake City Strategic Plan is to "Facilitate economic opportunity: Attract and retain small businesses --- including locally owned in commercial centers and residential neighborhoods."[2] Specific goals to accomplish this include increasing the number of businesses relocating or expanding, with a target of at least 10 each year; and increasing the number of small business loans, issuing at least 5 each year. The City Council has also identified Economic Development as one of their focus areas. Providing the funds needed to expand or start a business at a reasonable rate can stimulate economic development.

Providing some funding for businesses is not unique to local governments. The State of Utah provides funding for businesses relocating to or expanding in Utah through the Industrial Assistance Fund, administered through the Utah Division of Business and Economic Development. UCA 10-8-2 requires a study of the benefits a municipality will receive in return for any money or resources appropriated, and specifically lists economic development, job creation, and job preservation as areas for which appropriations may be necessary and appropriate. The small business loans are intended to stimulate economic development, provide new jobs and/or preserve existing jobs.

---

[2] Salt Lake City Corporation Six Year Department Business Plans, *Salt Lake City Corporate Performance and Measurement Plan*, Fiscal Years 2005-10.

MEMORANDUM

TO: Rocky Fluhart
Chief Administrative Officer

FROM: Laurie Donnell

DATE: May 6, 2005

CC: LuAnn Clark, Louis Zunguze, Ed Rutan, Steve Fawcett

SUBJECT: Study of Benefits Regarding Housing Loans

The Salt Lake City Council routinely considers the approval of loans to provide gap financing for housing projects throughout Salt Lake City. The Housing Trust Fund provides the funding to non-profit and for-profit organizations, typically at an interest rate below the current market rate, and usually for up to 30 years. The funds are for housing projects which include units designated as affordable housing units, often with some of the units set aside for special needs populations. Usually the loans are used to fund property acquisition, demolition, and/or construction; although in some cases the loans have been used to refinance a project or remodel existing affordable housing units.

To ensure that the action of Salt Lake City is in compliance with UCA 10-8-2, this study identifies the general benefits to Salt Lake City in making these kinds of loans, how the loans meet the City's purpose and enhance the quality of life for City residents, and why the loans are needed to accomplish Salt Lake City's goals.

Benefits to Salt Lake City: The primary monetary benefit to Salt Lake City for these projects is the repayment requirement for the loan itself, plus any interest that is charged on the principal of the loan. Comparing the interest received to the interest the City could have earned will vary from year to year. The average interest rate earned on pooled investments for the general fund in the fiscal year ended June 30, 2004, was 2.028 percent. In some cases, the City may earn less on these loans than it would have earned if the funds were included in the pooled investments account.

In some cases, the City can benefit from new construction as a result of an increase in property taxes paid. For new construction with an owner who is not a non-profit organization, the City can expect to receive a higher amount in property taxes from the property itself. With remodeling and refurbishing, the opportunity exists for some increase in property value which would be likely to translate to an increase in the amount from property taxes. However, refinancing a project would not affect the property tax amount received, and for non-profit owners, no property taxes are paid.

Generally, there is not a significant increase in the amount of City services provided, and thus no significant increase in expense to the City. To date, no projects have warranted an increase in staffing or funding for any City services. Senior citizen housing could increase the number of paramedic calls to the Fire Department, but it is difficult to determine whether these are actually "new" calls, since some of the seniors likely lived in the City previously and have only changed their location within the City. In most cases, providing new housing and generally cleaning up an area will reduce the number of calls for City Fire and Police services.

The intangible benefit to Salt Lake City from these projects is the addition or retention of affordable housing units in Salt Lake City. As mentioned previously, often some of the affordable housing units are designated for special needs populations, such as for the physically and developmentally disabled, or for transitional housing for people who were previously homeless.

Meeting Salt Lake City's Purpose and Enhancing the Quality of Life for Residents: Salt Lake City considers these loans in order to increase the number of affordable housing units and special needs housing units for City residents. Affordable housing is a tremendous need in Salt Lake City. An "Affordable Housing Needs Analysis" model provided by the State of Utah's Department of Community and Economic Development Department indicated that Salt Lake City needed to provide 25,777 additional affordable housing units by 2004: 3,444 for people living at 80% of median income, 7,157 for people living at 50% of median income, and 15,176 for people living at 30% of median income. Although this model is dated, the number of housing units needed was not met, and the need is ongoing.

Accomplishing Salt Lake City's Goals: The proposed loans are necessary and appropriate to accomplish Salt Lake City's goals in the area of affordable housing. The mission of the City's Housing Programs in the Community Development Department are to preserving the existing housing stock in Salt Lake City neighborhoods and to provide decent and safe affordable housing for existing and first-time homebuyers who fall within HUD's low and moderate income guidelines.[1]

These projects relate directly to Salt Lake City's goal of supporting the addition of safe, decent and affordable housing opportunities. The projects often include adding more market rate housing in the neighborhood as well. These projects strengthen the residential component of the community, which aids in revitalizing the neighborhood. The loans requested are usually for gap financing, with other lenders providing the bulk of the funding. The funds from Salt Lake City are usually required, though, in order for the projects to be completed. Without the favorable interest rates from Salt Lake City, the projects would not necessarily be undertaken.

The State of Utah also has a policy to support affordable housing. It is clear from several Utah state statutes (UCA 10-9-301 et seq., 9-4-202 et seq., 9-4-704 et seq., 9-4-904 et

---

[1] Salt Lake City Corporation Six Year Department Business Plans, Fiscal Years 2005-10, department of Community Development 6 Year Business Plan, August 2004.

seq.) that the State of Utah encourages the provision of affordable housing for its citizens. UCA 10-8-2 requires a study of the benefits a municipality will receive in return for any money or resources appropriated, and specifically lists affordable housing as an area for which appropriations may be necessary and appropriate.

MEMORANDUM

TO: Steve Fawcett

FROM: Kay Christensen

DATE: May 9, 2005

SUBJECT: Non-Departmental Budget –Funding for Community Emergency Winter Overflow Housing: Study to Comply with Utah Code Annotated Section 10-8-2

UCA 10-8-2 states the purposes for which a municipal body may appropriate public funds and the factors that must be considered in determining the propriety of such an appropriation.

Salt Lake City Corporation recommends a contribution of $64,000 from the City's Non-Departmental Budget to The Road Home to support the Emergency Winter Overflow Shelter located in Midvale, Utah.

To ensure that a contribution by the City to The Road Home is in compliance with UCA 10-8-2, the following study has been performed. This study will consider the following factors:

(1) The specific benefits to be received by the City;

(2) The City's purpose in making the appropriation, including an analysis of how the safety, health, prosperity, moral well-being, peace, order, comfort or convenience of the residents of Salt Lake City will be enhanced; and

(3) Whether the appropriation is "necessary and appropriate" to accomplish the City's goals.

Benefits and Costs to Salt Lake City:

The Emergency Winter Overflow Shelter began operations to assure that no one would be turned away from shelter during the months from

November to April. The shelter is prepared to open as soon as the weather turns cold in the fall.

During the past winter, the Emergency Winter Overflow Shelter served 2,291 people. Of that total, 1065 (46.5%) said they were from Salt Lake City.

To gain access to the shelter in Midvale, an individual or family must go to the shelter downtown at 210 South Rio Grande Street. When that shelter is full, a bus will transport people to the overflow shelter. People do not go directly to the overflow shelter. Therefore, all of the people spending the night in the Midvale shelter come from the streets of Salt Lake City.

The service unit cost at the overflow shelter last winter was $15.84. That is all of the costs to provide one individual one night of shelter. That will not vary significantly in the coming winter.

The Winter Overflow Shelter provided 43,098 individual nights of shelter during the 2004-2005 winter. The Road Home Shelter and the Overflow Shelter combined were able to accommodate everyone seeking shelter during the winter months.

The City benefits directly from reduced police and paramedic calls and indirectly from the positive perception that Salt Lake City cares for its people and from an increased perception of safety. The City further benefits because people who enter the shelter are offered a wide range of services that provide an opportunity to gain stability and improve the quality of life. Children are entered into the school system, adults are offered temporary jobs, and everyone is screened for tuberculosis and other communicable diseases.

Meeting Salt Lake City's Purposes and Enhancing the Quality of Life for Residents:

Salt Lake City Corporation has adopted a performance measurement tool called the Balanced Scorecard to assist the City in articulating strategic goals, measures and targets for all departments and divisions within the City. The Balanced Scorecard is divided into eight focus areas, including Community Building/Diversity, Public Safety and Growth/Quality of Life. The accompanying goals include reducing crime, increasing the perception of safety, strengthening neighborhoods by investing in quality of life initiatives, and promoting community-based problem solving.

Therefore, at least three of the City's eight identified focus areas would be positively impacted by a contribution to the Winter Overflow Shelter.

Accomplishing Salt Lake City's Goals: The proposed contribution is necessary and appropriate to accomplish Salt Lake City's goals in the areas of reducing crime, increasing the reality and perception of safety and investing in quality of life initiatives. Homeless individuals who do not have shelter in the winter cold are in a crisis situation. The availability of a warm and safe shelter averts that crisis. The homeless are often a target of crime, and their presence unfortunately often causes those who come in contact with them to feel less safe. The City clearly benefits when all those within the City's borders are safe and protected and able to improve their quality of life.

MEMORANDUM

TO: Steve Fawcett

FROM: Kay Christensen

DATE: May 6, 2005

SUBJECT: Non-Departmental Budget –Civic Opportunity Fund Support of Downtown Alliance and First Night: Study to Comply with Utah Code Annotated Section 10-8-2

It is recommended that Salt Lake City contribute $15,000 to the Downtown Alliance to be used to support First Night, a New Year's Eve celebration that takes place in eighteen downtown venues and offers activities and entertainment for people of all ages.

To ensure that a contribution by the City to the Downtown Alliance would be in compliance with UCA 10-8-2, the following study has been performed. UCA 10-8-2 states the purposes for which a municipal body may appropriate funds and the factors that must be considered in determining the propriety of such an appropriation. This study will consider the following factors:

(1) The specific benefits to be received by the City;

(2) The City's purpose in making the appropriation, including an analysis of how the safety, health, prosperity, moral well-being, peace, order, comfort or convenience of the residents of Salt Lake City will be enhanced; and

(3)Whether the appropriation is "necessary and appropriate" to accomplish the City's goals.

Benefits and Costs to Salt Lake City: There are quantifiable monetary benefits that accrue to Salt Lake City as a result of the First Night celebration, and that celebration is made possible, in part, by the City's $15,000 contribution. The celebration brings between 45,000 and 90,000 people downtown, depending on the weather. The City is featured and listed as a sponsor in the $150,000 in advertising done to promote the event.

Police overtime costs associated directly with the event are $6,803. The following is a summary of estimated benefits associated with the 2005 First Night event:

Total estimated attendance	45,000
Estimated television viewers	75,000
Trax ridership (inbound & outbound)	30,000
Performing arts groups	120
Number of performers	600 +
Downtown venues	18
Media purchased/in-kind	$150,000
Estimated value of free media (press coverage)	$250,000
Direct expenditures	$700,000
Economic impact (multiplier)	$2,100,000
Estimated sales tax generated	$45,500
Estimated City sales tax generated	$7,000

There are also numerous intangible benefits to the City. The event attracts thousands of people downtown who might not otherwise visit. Once they experience what the City has to offer, they will be much more likely to come back again to shop or recreate and to bring their wallets with them. The existence of such events is important to prospective businesses who might be considering locating downtown. It is important to show that the City can attract large crowds and that the customer base is expansive.

Meeting Salt Lake City's Purposes and Enhancing the Quality of Life for Residents: Salt Lake City Corporation has adopted a performance measurement tool called the Balanced Scorecard to assist the City in articulating strategic goals, measures and targets for all departments and divisions within the City. The Balanced Scorecard is divided into eight focus areas, including Community Building/Diversity, and Revitalization of Downtown/Neighborhoods and Economic Development. The accompanying goals include strengthening neighborhoods by investing in quality of life initiatives and celebrating diversity, revitalizing downtown by improving the City's economic base, and increasing the number of people living and working downtown.

Therefore, at least three of the City's eight identified focus areas would be positively impacted by a Civic Opportunity Fund contribution to the Downtown Alliance for First Night.

Accomplishing Salt Lake City's Goals: The proposed contribution is necessary and appropriate to accomplish Salt Lake City's goal of revitalizing downtown. First Night brings thousands of people to downtown streets, and the City believes that the positive downtown experience created by First Night will almost certainly lead to many future visits, thus assisting in the accomplishment of a major City goal- bringing people downtown to live, work and play.

MEMORANDUM

TO: Steve Fawcett

FROM: Kay Christensen

DATE: May 6, 2005

SUBJECT: Contribution to Salt Lake County for Salt Palace Expansion: Study to Comply with Utah Code Annotated Section 10-8-2

It is recommended that Salt Lake City make a one-time contribution of $8,000,000 to Salt Lake County as the City's share of the cost of Salt Palace expansion. During the 2005 legislative session, the Utah State Legislature passed Senate Bill 211 entitled "Funding for Convention Facilities," which provided a formula for financing the expansion of the Salt Palace. Under the provisions of the Bill, Salt Lake City's share would be met by diverting the City's innkeeper tax for a period of ten years. The City's innkeeper tax currently generates approximately $1.9 million per year which is part of the City's General Fund.

Salt Lake City objected to use of the innkeepers tax and the terms of the funding formula, and sought redress at the Special Session of the Legislature. With support of the Governor, Salt Lake County, State legislative leadership, Mayor Anderson and the City Council, the funding provisions of SB211 were repealed and the terms of an Interlocal Agreement between Salt Lake City and Salt Lake County were incorporated into the Bill. Under the terms of the Interlocal Agreement, Salt Lake City agrees to pay $8,000,000 as a one-time contribution to the Salt Palace expansion project.

To ensure that a contribution by the City to Salt Lake County for Salt Palace expansion will be in compliance with UCA 10-8-2, the following study has been performed. UCA 10-8-2 states the purposes for which a municipal body may appropriate funds and the factors that must be considered in determining the propriety of such an appropriation. This study will consider the following factors:

(1) The specific benefits to be received by the City;

(2) The City's purpose in making the appropriation, including an analysis of how the safety, health, prosperity, moral well-being, peace, order, comfort or convenience of the residents of Salt Lake City will be enhanced; and

(3)Whether the appropriation is "necessary and appropriate" to accomplish the City's goals.

Benefits and Costs to Salt Lake City: There are quantifiable monetary benefits that accrue to Salt Lake City as a result of the Salt Palace and the expansion will magnify those benefits. The existing Salt Palace Convention Center generates $189 million annually in direct visitor spending. Direct visitor spending is defined as money convention delegates spend on hotels, restaurants, retail shops and attractions. The expanded Salt Palace will generate $229 million annually in direct visitor spending, an increase of $32 million. This annual increase includes:

Restaurants-$9.3 million
Retail- $4 million
Entertainment-$2.8 million
Auto Rental-$2 million

Salt Lake City currently receives $2,769,000 in tax revenue from the Salt Palace. The expansion will increase that revenue to approximately $3,358,000, an increase annually of approximately $589,000. The City's tax revenue includes sales and innkeepers taxes.*

The expanded facility is designed to retain the Outdoor Retailers Convention which generates direct spending of $32 million annually, attract additional large-scale conventions which will generate in excess of $38.7 million annually, insure that the Salt Palace remains competitive in the convention/tourism industry, and stimulate economic development in excess of $70 million annually. Four new large-scale conventions have already been booked since the expansion was announced.

The existing Salt Palace supports 6,260 jobs compared to an expanded facility which will support 7,590 jobs.

There are also numerous intangible benefits to the City. Conventions and events at the expanded Salt Palace will attract thousands of people downtown who might not otherwise visit. Once they experience what the

City has to offer, they will be much more likely to come back again to shop or recreate and to bring their wallets with them. The existence of such facilities is important to prospective businesses who might be considering locating downtown. It is important to show that the City can attract large crowds and that the customer base is expansive.

Meeting Salt Lake City's Purposes and Enhancing the Quality of Life for Residents: Salt Lake City Corporation has adopted a performance measurement tool called the Balanced Scorecard to assist the City in articulating strategic goals, measures and targets for all departments and divisions within the City. The Balanced Scorecard is divided into eight focus areas, including Revitalization of Downtown/Neighborhoods and Economic Development. Many of the goals in these focus areas can be met by revitalizing downtown through the Salt Palace expansion, thereby improving the City's economic base and increasing the number of people visiting downtown.

Accomplishing Salt Lake City's Goals: The proposed contribution is necessary and appropriate to accomplish Salt Lake City's goal of revitalizing downtown and improving the City's economic base.

---

*The University of Utah Bureau of Economic & Business Research determined the average convention delegate spends approximately $841 on hotel, restaurant, public transit and related taxes.

The economic data in this paper is based on Salt Lake City records, and on research from Conventions, Sports & Leisure International, the consulting firm that produced the Salt Palace Convention Center Needs Assessment Study and the University of Utah Bureau of Economic and Business Research.

MEMORANDUM

TO: Steve Fawcett

FROM: Kay Christensen

DATE: May 6, 2005

SUBJECT: Non-Departmental Budget –Contribution to Salt Lake Housing Authority: Study to Comply with Utah Code Annotated Section 10-8-2

It is recommended that Salt Lake City contribute $118,000 to the Salt Lake Housing Authority. To ensure that a contribution by the City to the Housing Authority would be in compliance with UCA 10-8-2, the following study has been performed. UCA 10-8-2 states the purposes for which a municipal body may appropriate funds and the factors that must be considered in determining the propriety of such an appropriation. This study will consider the following factors:

(1) The specific benefits to be received by the City;

(2) The City's purpose in making the appropriation, including an analysis of how the safety, health, prosperity, moral well-being, peace, order, comfort or convenience of the residents of Salt Lake City will be enhanced; and

(3)Whether the appropriation is "necessary and appropriate" to accomplish the City's goals.

The federal law that enabled the creation of nonprofit Housing Authorities mandates that the agencies pay a payment in lieu of taxation (PILOT) or request that the municipality waive the requirement. Salt Lake City has chosen to require the PILOT payment from its Housing Authority, but has historically appropriated the money back to it for transitional housing for the homeless. The most recent appropriation (FY2004-2005) was $108,500.

The goals of the transitional housing are to provide temporary housing and stability enabling residents to receive services regarding substance abuse, spouse abuse, parenting, life skills, budgeting, job training, and education.

Benefits and Costs to Salt Lake City

Salt Lake City appropriates funds to transitional housing annually. The Salt Lake Housing Authority provides 103 units of transitional housing of which 87 are reserved for single men with the remainder allocated to families. The revenue offset for this appropriation is generated by a Payment in Lieu of Taxes (PILOT) agreement with the Housing Authority. The Housing Authority pays the PILOT to the City and the City then appropriates the same amount back for transitional housing. It could be argued that there is zero cost to the City because the nonprofit who receives the appropriation provides the revenue to the City.

The Housing Authority uses the appropriation from the City as a partial match for $668,000 in Veterans Administration per diem. This leveraging provides a benefit to the City far in excess of the appropriation.

It is likely that homeless people create a disproportionate service demand on the public safety agencies because of their vulnerabilities and the life conditions that contribute to their homelessness (e.g. mental health issues, significant health problems, substance abuse, etc.). One of the benefits of transitional housing is, therefore, cost avoidance in the Police and Fire Departments. Most of the medical response calls for "man down" are to the homeless. There are roughly 1,834 "man down" calls per year. The average time spent on a "man down" call is approximately 30 minutes. The average cost for medical response for 30 minutes from the Fire Department is $183.67. The total cost of "man down" calls for the Fire Department is roughly $336,850 annually. To the extent that medical service calls to the Fire Department are avoided because previously homeless people have been placed in transitional housing and are receiving substance abuse treatment rather than experiencing the rigors of street life, $183.67 in cost is avoided per incident.

The Police Department also responded to1950 "man down" calls in 2004 (226 were women). The Police Department reports that most "man down" calls relate to alcohol or drug use. The call usually involves a response to the scene and providing transportation to a detoxification center. The detoxification centers often have no beds available so the person must then be transported to jail. The average time to accomplish these tasks is 1.3

hours. The cost per hour for police response is $78. The total cost for "man down" calls for the Police Department was $202,800 in 2004. The reduction of "man down" calls to the Police Department, because previously homeless people are moved into transitional housing providing the stability to be treated for substance abuse problems, avoids a cost of $104 per incident.

The preliminary estimate of the number of homeless in Salt Lake County prepared by Utah Issues in conjunction with the Salt Lake Homeless Coordinating Committee is 1,800. A very conservative estimate would be that 70%, or 1,260, of the homeless are within Salt Lake City. Approximately 7% of the City's homeless are served by the 87 transitional housing units for single men. If it is assumed that those men in transitional housing would create a proportionate number of "man down" if they were not in transitional housing, an additional 88 man down calls would be generated annually at a combined hourly public safety response cost of $287.67 per incident. It is projected, therefore, that the Police and Fire Departments avoid roughly$25,315 in costs annually as a result of transitional housing.

Sometimes the homeless are the victims of criminals in the transient population. These crimes create service demands for the Police Department. To the extent that these crimes are reduced because the homeless are taken out of a high risk environment and placed in Transitional Housing, costs are avoided by the Police Department and the City for each incident avoided.

According to the Housing Authority, 57% of those participating in the Transitional Housing Program move on to permanent housing. The quality of life for these individuals is clearly enhanced. The overall quality of life for City residents is enhanced because of fewer encounters with the homeless exhibiting symptoms of mental illness and substance abuse.