



Measure O Bond Oversight Committee

CONSENT CALENDAR
December 10, 2019

To: Honorable Mayor and Members of the City Council
 From: Measure O Bond Oversight Committee
 Submitted by: Joshua Daniels, Chairperson, Measure O Bond Oversight Committee
 Subject: 2019 Housing Trust Fund Request for Proposals Funding Reservations

RECOMMENDATION

Adopt a Resolution to:

1. Reserve Measure O bond revenues and other available funds for the following proposals at the following levels, for a total reservation of \$36,002,640:
 - a. Satellite Affordable Housing Associates' Blake Apartments development (2527 San Pablo) at \$11,500,000; and
 - b. BRIDGE Housing Corporation's 1740 San Pablo Avenue development at \$7,500,000; and
 - c. Northern California Land Trust's (NCLT) Anti-Displacement Project (2321-2323 10th Street) at \$1,570,640; and
 - d. Resources for Community Development's (RCD) Maudelle Miller Shirek Community (2001 Ashby) at \$15,432,000.
2. Fund the projects in the priority order listed above. If the available funds are insufficient to support all four proposals in full, forward commit funds from the next planned issuance of Measure O funds.
3. Consider funding 2321-2323 10th Street/Anti-Displacement Project (NCLT) using general funds such as those received pursuant to Measure U1.
4. For the NCLT Project at 2321-2323 10th Street:
 - a. Waive the HTF Guidelines requirements listed below to allow funding for this project:
 - i. Threshold for developer experience; and
 - ii. City subsidy limit equal to 40% of total development costs.
 - b. Condition this new funding on NCLT's demonstrated compliance with the Council-mandated requirements of its 2017 development loan agreement.
 - c. Apply Small Sites Program development and operating budget standards to NCLT's project.
5. Authorize the City Manager to execute all original or amended documents or agreements to effectuate this action.

SUMMARY

Council authorized a Request for Proposals (RFP) on June 11, 2019 to solicit applications for affordable housing projects to be funded through the City's Housing Trust Fund (HTF) program with the first tranche of Measure O bond funds. The RFP was intended to allocate Measure O bond funds remaining after existing City funding reservations to the Berkeley Way and 1601 Oxford affordable housing developments are fulfilled.

The City received four applications. On October 21, 2019, the Measure O Bond Oversight Committee (MOBOC) considered a report from Health, Housing, and Community Services staff and the MOBOC's RFP Subcommittee evaluating the projects based on criteria identified in the RFP: developer capacity, feasibility, local needs and priorities, and readiness. The recommended actions in the attached resolution will effectuate the MOBOC's recommendations.

FISCAL IMPACTS OF RECOMMENDATION

Applicants requested a total of \$38,120,640 through this RFP. Three of the four applicants previously sought predevelopment funding from the City and have since been awarded predevelopment funds for the projects represented.

- On April 23, 2019, the City reserved \$368,000 for 2001 Ashby (Resolution 68,824-N.S.).
- On October 29, 2019 Council recommended predevelopment funding for the following projects (Resolution 69,163-N.S.):
 - 2527 San Pablo (\$500,000); and
 - 2321-2323 10th Street (\$50,000); and
 - 2001 Ashby (an additional \$1,200,000).

All predevelopment funding will be general funds generated pursuant to Measure U1. Less the previously reserved predevelopment funds, the funding requested through this RFP for all four projects totals \$36,002,640.

Staff estimated that approximately \$15-\$20 million could be allocated through this RFP, after available funding was used to fulfill existing obligations to Berkeley Way and 1601 Oxford. The MOBOC's recommendation would reserve all available Measure O funding, allocate some general funds generated pursuant to Measure U1 to the NCLT project, and forward commit the remaining reservation to be paid through the second issuance of Measure O bond funds.

CURRENT SITUATION AND ITS EFFECTS

The City issued an RFP on July 18, 2019, which included a Council priority for projects demonstrating readiness to start construction, as well as HTF Guidelines priorities for projects providing units for the formerly homeless and households with incomes at or below 30% of the area median income (AMI). The City received four applications by the August 14, 2019 due date.

The MOBOC hosted a public hearing for projects seeking funding at their September 16, 2019 meeting. Members of the public spoke out in broad support of all four projects. At their October 21, 2019 meeting, the MOBOC recommended funding all four proposals, including a forward commitment of Measure O bond funds as needed.

Reserving funds for affordable housing projects is a Strategic Plan Priority Project, advancing our goal to create affordable housing and housing support service for our most vulnerable community members.

BACKGROUND

Staff and the MOBOC's RFP Subcommittee evaluated the applications according to the following criteria identified in the RFP:

- Developer Capacity,
- Project Feasibility,
- Local Needs and Priorities, and
- Readiness to Proceed.

At its October 21, 2019 meeting, the MOBOC took the following actions:

Action: M/S/C (Lewis/Lustig) to recommend that Council:

1. Fund the following proposals at the following levels, less any predevelopment funds awarded by the City through separate processes:
 - a. Satellite Affordable Housing Associates' Blake Apartments development (2527 San Pablo) at \$12M
 - b. BRIDGE Housing Corporation's 1740 San Pablo Avenue development at \$7.5M
 - c. Northern California Land Trust's (NCLT) Anti-Displacement Project (2321-2323 10th Street) at \$1,620,640
2. Fund the projects in the priority order listed above, if the available funds are insufficient to support all three proposals in full.
3. Consider funding 2321-2323 10th Street/Anti-Displacement Project (Northern California Land Trust) using general funds such as those received pursuant to Measure U1.
4. For the NCLT project at 2321 10th Street:
 - a. Waive the HTF Guidelines requirements listed below to allow funding for this project:
 - i. Threshold for developer experience; and
 - ii. City subsidy limit equal to 40% of total development costs.
 - b. Condition this new funding on NCLT's demonstrated compliance with the Council-mandated requirements of its 2017 development loan agreement
 - c. Apply Small Sites Program development and operating budget standards to NCLT's project.

Vote: Ayes: Calavita, Carr, Daniels, Lewis, Lustig, Marthinsen, Sharenko, Smith, and Tregub. Noes: None. Abstain: None. Absent: Cutler (approved).

Action: M/S/C (Lewis/Calavita) to recommend that Council forward commit funds from the next planned issuance of Measure O funds to 2001 Ashby and to note the Committee's qualms about forward committing funds. However, if funds aren't available to fully fund 2527 San Pablo, 1740 San Pablo, and 2321-2323 10th Street, Council should fund those projects in the priority order listed in the prior action before funding 2001 Ashby.

Vote: Ayes: Calavita, Carr, Lewis, Lustig, Marthinsen, Sharenko, Smith, and Tregub. Noes: Daniels. Abstain: None. Absent: Cutler (approved).

Satellite Affordable Housing Associates (SAHA)

SAHA requested \$12M for the development of Blake Apartments, located at 2527 San Pablo Avenue.

SAHA purchased the fully entitled property in May 2019. SAHA plans to demolish the existing, vacant structure and develop 63 units of housing affordable at 30% to 60% AMI. This includes units set aside for formerly homeless residents and residents with intellectual or developmental disabilities (I/DD). The units would be a mix of studios, one-bedrooms, and two-bedrooms. The project includes ground floor commercial space that will not be supported with City funds. The space would not be legally separated from the residential space, but commercial costs will be accounted for separately.

SAHA's proposed financing includes a bank loan, Federal Home Loan Bank (FHLB) Affordable Housing Program funds, California Housing and Community Development (HCD) Multifamily Housing Program funds, California HCD Infill Infrastructure Grant funds, and 4% tax credits.

BRIDGE Housing Corporation (BRIDGE)

BRIDGE requested \$7.5M for the development of 1740 San Pablo Avenue.

1740 San Pablo is a fully entitled property. BRIDGE entered into a purchase and sale agreement in May 2019, and intends to demolish the existing, vacant structures, and develop the 51-unit project for households with incomes ranging from under 30% AMI to 90% AMI. The project would include three live-work units for lower income artists. The remaining units would be a mix of studios, one-bedrooms, and two-bedrooms.

BRIDGE's proposed financing includes a bank loan, 4% tax credits, funding through CalHFA's new Mixed-Income Program, and project-based Section 8 vouchers from the Berkeley Housing Authority.

Northern California Land Trust (NCLT)

NCLT proposes to acquire and renovate 2321-2323 10th Street, an occupied property with eight residential units. In its initial application, NCLT requested \$975,629, but subsequently increased its request to \$1,620,640 based on a capital needs assessment completed by a third party. NCLT submitted its RFP application the day after the organization entered into a purchase and sale agreement to acquire the property.

The property has two, two-story buildings with four units each. Both buildings are suffering from deferred maintenance, and the renovation scope would prioritize health and safety issues and energy upgrades.

Seven of the eight units are occupied, and NCLT estimates the resident incomes at 30%-80% AMI. NCLT is in the process of income-certifying all residents. Four current residents hold Section 8 vouchers from the Berkeley Housing Authority, and are presumed to have incomes at or below 50% AMI. The units are a mix of one-bedrooms and two-bedrooms. NCLT will explore whether the residents are interested in forming a cooperative.

NCLT's proposed financing includes a bank loan, a short-term seller loan, a City of Berkeley Seismic Retrofit Grant, and Affordable Multifamily Energy Efficiency Financing Program funding through the state.

NCLT does not meet the HTF Guidelines threshold for developer experience, and would require a Council waiver of that requirement. Staff believe the scope of the project is similar to a recently completed NCLT project, and the MOBOC supports the waiver in order to fund this project. The project also requires a higher subsidy than is permitted by the HTF Guidelines, which caps the City's contribution at 40% of the project's total cost. There are limited sources of financing available to smaller, non-tax credit projects.

The MOBOC supports staff's recommendation to condition an award to NCLT on the organization's compliance with Council-mandated conditions of the 2017 Development Loan Agreement for the Scattered Sites Rehab. There are no compliance issues in terms of NCLT's management of the properties, but Council required that NCLT hire a consultant to work with residents at 1340-1348 Blake Street and 2425 California Street to assess the feasibility of converting the properties to cooperatives, and Council required NCLT to update its governing documents to reflect a tripartite structure consistent with community land trust standards. Staff continue to work with NCLT on complying with those requirements.

The MOBOC also agrees with staff's recommendation that the City apply its Small Sites Program standards to NCLT's project, in terms of development and operating budget requirements. The Small Sites Program supports the acquisition and renovation of small, multifamily properties, and includes conditions specifically designed to support the ongoing operations of projects with limited cash flow, including averaging incomes

at 80% AMI (Low-Income, a variance from the HTF requirements) as well as funding reserves at certain levels. Council provided \$1 million in City general funds associated with Measure U1 to fund the first Small Sites project, but there are currently no funds allocated to the program.

Resources for Community Development (RCD)

RCD requested \$17M for the development of the Maudelle Miller Shirek Community located at 2001 Ashby Avenue.

RCD was selected by the current site owner, Cooperative Center Federal Credit Union (CCFCU), to develop the property as affordable housing. RCD and CCFCU entered into an MOU and a purchase and sale agreement for RCD's acquisition of the site which is expected in November 2019. RCD is pursuing expedited entitlement under SB35.

RCD is proposing to develop 86 units of housing affordable to households earning between 20% and 80% AMI plus one manager's unit. The units are a mix of studios, one-bedrooms, two-bedrooms, and three-bedrooms. Approximately half are two- or three-bedroom units, making the project well suited for families. Twelve units would be set aside for formerly homeless and disabled residents, consistent with the State's No Place Like Home program.

The project will also include commercial space for the nonprofit Healthy Black Families, which would help keep their services in this historically African American neighborhood and alleviate concerns of the organization's displacement due to rising costs.

RCD's proposed financing includes a bank loan, California HCD Multifamily Housing Program funds, California HCD No Place Like Home funds, California HCD Infill Infrastructure Grant funds, FHLB Affordable Housing Program funds, and 4% tax credits.

The schedule for Maudelle Miller Shirek Community estimates construction start and financing in June 2021, which aligns with the projected second issuance of Measure O bond funds.

ENVIRONMENTAL SUSTAINABILITY

All four projects addressed environmental sustainability in their project design and scope. The three new construction projects would be built to third-party green building standards and seek certification (either LEED Gold or GreenPoint Gold). NCLT's Anti-Displacement Project would address years of deferred maintenance to preserve an existing building and increase the energy efficiency of the buildings.

RATIONALE FOR RECOMMENDATION

All four projects meet local needs and priorities by adding 198 new affordable housing units to the City's inventory and preventing displacement of eight lower income

households. Blake Apartments will provide units for the formerly homeless and for individuals with intellectual or developmental disabilities. 1740 San Pablo will offer three live-work units for lower-income artists, and provide moderate income units (up to 90% AMI). The Anti-Displacement Project will protect vulnerable tenants, address significant deferred maintenance, and add long-term affordability restrictions. Maudelle Miller Shirek Community will provide units for the formerly homeless, and will provide commercial space for the nonprofit Healthy Black Families.

ALTERNATIVE ACTIONS CONSIDERED

The Committee considered making a recommendation that did not include a forward commitment of Measure O Bond funds to 2001 Ashby. Commissioners were concerned about limiting funding and therefore options for the second tranche of bond funds. However, Commissioners also recognized the benefits of reserving funds for 2001 Ashby now, allowing the applicant to pursue other funding commitments and moving the project forward. Without a reservation of City funds, the project would not be as competitive for state funding and would likely be delayed up to two years.

CITY MANAGER

The City Manager concurs with this recommendation. All four proposals have technical strengths and will help achieve the City's affordable housing goals. Together Blake Apartments, 1740 San Pablo, and Maudelle Miller Shirek Community will create nearly 200 units of new affordable housing. The projects will also set aside units for vulnerable, special needs populations such as the apartments for people with intellectual or developmental disabilities at Blake Apartments. The 1740 San Pablo project proposes an innovative model with a new funding source which will result in some moderate income and live-work apartments. The Anti-Displacement Project will protect lower-income tenants at risk of displacement and improve long-neglected buildings, as well as build the City's portfolio of Small Sites program-type projects.

Consistent with Council's direction, staff rated all projects on readiness to proceed. If funded, the new construction projects estimate construction starts ranging from late 2020 to mid-2021. The renovation project could start in early to mid-2020. The proposed forward commitment of funds to 2001 Ashby will allow that project to start competing for state funds right away so that it can be ready to proceed when City funds are available. The project was highly rated on its technical merits and only slightly less ready to proceed than others; RCD has applied for land use entitlements under the expedited SB35 process and the City is currently in its 90 day review window. Reserving the funds now will help deliver these homes on a faster timeline and lower cost (due to continuing cost escalation).

Projects could be funded with a combination of Measure O bond funds and general funds generated pursuant to Measure U1. Council previously reserved funding for two affordable housing developments: \$23,500,000 for Berkeley Way (June 26, 2018 with Resolution 68,494-N.S. and December 4, 2018 with Resolution 68,693-N.S.) and

\$6,000,000 for 1601 Oxford (October 16, 2018). Measure O, general funds generated pursuant to Measure U1, the City's current balance of HOME funds, and fee revenue in the Housing Trust Fund will first be used to fund Berkeley Way and 1601 Oxford. With a first issuance of \$37,000,000 in early 2020 it will be possible to fund all of the projects currently in the pipeline.

The following table shows a draft plan for funding the projects currently in the pipeline. The City Manager may modify this plan based on the availability of funds, federal requirements, project needs, and the timing of projects.

	Units	Previously committed funds	Measure O: 1st issuance	Measure O: 2nd issuance	HOME	HTF	Measure U1	Total
BRIDGE & BFHP/ 2012 Berkeley Way*	186	3,967,548	13,820,909			3,655,726	6,023,365	27,467,548
SAHA/ 1601 Oxford	35	25,000	4,179,091		1,795,909			6,000,000
SAHA/ Blake Apts./ 2527 San Pablo Ave.	63	500,000	11,500,000					12,000,000
BRIDGE/ 1740 San Pablo Ave.	51	-	7,500,000					7,500,000
NCLT/ 10th Street	8	50,000					1,570,640	1,620,640
RCD/Maudelle Shirek /2001 Ashby	87	1,568,000		15,432,000				17,000,000
	430	10,103,096	37,000,000	15,432,000	1,795,909	3,655,726	7,496,165	71,490,348

*Berkeley Way unit count includes 89 affordable apartments, 53 permanent supportive housing units, 12 transitional beds, and 32 shelter beds.

A forward commitment of \$15.4 million in Measure O bond funds for 2001 Ashby will result in less money available in the second issuance, currently estimated at \$30-\$40,000,000 in 2021.

CONTACT PERSON

Jenny Wyant, Community Development Project Manager, HHCS, 510-981-5228

Attachments:
1: Resolution

RESOLUTION NO. ##,###-N.S.

APPROVAL OF THE 2019 HOUSING TRUST FUND REQUEST FOR PROPOSALS
RESERVATIONS

WHEREAS, the City Council established a Housing Trust Fund (HTF) program to assist in the development and expansion of housing affordable to low and moderate income persons who either work or reside within the City of Berkeley, and authorized the City Manager to implement the HTF program; and

WHEREAS, there is a great need for affordable and special needs housing in the City of Berkeley as stated in the General Plan Housing Element and the City of Berkeley's Consolidated Plan; and

WHEREAS, the City Council identified the BRIDGE Housing Corporation's Berkeley Way project as the funding priority for Housing Trust Funds, and with Resolutions 68,494-N.S. (dated June 26, 2018) and 68,693-N.S. (dated December 4, 2018) reserved a total of \$23.5 million for the project; and

WHEREAS, on October 16, 2018, the City Council reserved \$6 million for Satellite Affordable Housing Associates' 1601 Oxford project; and

WHEREAS, on November 6, 2018, Berkeley voters passed Measure O, a \$135 million bond measure to support the development and preservation of affordable housing; and

WHEREAS, on June 11, 2019 the City Council approved issuing a Request for Proposals (RFP) through the HTF program to allocate the first issuance of Measure O bond funds; and

WHEREAS, the City issued an RFP on July 18, 2019 and announced acceptance of applications for funding from the Housing Trust Fund until August 14, 2019, and subsequently received four responses; and

WHEREAS, the Measure O Bond Oversight Committee held a meeting on October 21, 2019 and considered a report from Health, Housing and Community Services staff and the RFP Subcommittee regarding funding; and

WHEREAS, on October 21, 2019 the Measure O Bond Oversight Committee approved motions recommending funding reservations for Satellite Affordable Housing's Blake Apartments (2527 San Pablo Avenue), BRIDGE Housing Corporation's 1740 San Pablo Avenue, Northern California Land Trust's Anti-Displacement Project (2321-2323 10th Street), and Resources for Community Development's Maudelle Miller Shirek Community (2001 Ashby Avenue); and

WHEREAS, the Measure O Bond Oversight Committee's motions included recommendations to waive certain sections of the Housing Trust Fund Guidelines in order to fund Northern California Land Trust's Anti-Displacement Project; and

WHEREAS, the Measure O Bond Oversight Committee's motions included a recommendation to apply the City's Small Sites Program standards to Northern California Land Trust's Anti-Displacement Project, since that program includes development budget and operating budget requirements designed to support the long-term feasibility of smaller multifamily projects with limited cash flow.

NOW THEREFORE, BE IT RESOLVED by the Council of the City of Berkeley that the Council approves the following funding reservations:

- Satellite Affordable Housing Associates' Blake Apartments (2527 San Pablo Ave) for \$11,500,000; and
- BRIDGE Housing Corporation's 1740 San Pablo for \$7,500,000; and
- Northern California Land Trust's Anti-Displacement Project (2321-2323 10th Street) for \$1,570,640; and
- Resources for Community Development's Maudelle Miller Shirek Community (2001 Ashby Ave) for \$15,432,000.

BE IT FURTHER RESOLVED that if funds are not available to fully fund Blake Apartments (2527 San Pablo), 1740 San Pablo, the Anti-Displacement Project (2321-2323 10th Street), and Maudelle Miller Shirek Community (2001 Ashby), the City will fund them in that priority order.

BE IT FURTHER RESOLVED that Council approves the forward commitment of funds from the second issuance of Measure O bond funds, if the four projects cannot be funded with available Measure O bond funds from the first issuance and general funds generated pursuant to Measure U1 not otherwise allocated to Berkeley Way and 1601 Oxford.

BE IT FURTHER RESOLVED that the Council of the City of Berkeley waives the requirements of Section III.A.1 of the Housing Trust Fund Guidelines and approves Northern California Land Trust as an eligible developer with demonstrated capacity to complete the Anti-Displacement Project, though it has not completed the number of projects required by the developer eligibility criteria.

BE IT FURTHER RESOLVED that the Council of the City of Berkeley waives the requirements of Section V.B.7 of the Housing Trust Fund Guidelines and approves HTF funds in excess of 40% for Northern California Land Trust's Anti-Displacement Project due to the nature of the development and the unavailability of alternative financing.

BE IT FURTHER RESOLVED that the Council of the City of Berkeley conditions its funding reservation for Northern California Land Trust's Anti-Displacement Project on the organization demonstrating compliance with the Council-mandated conditions of the 2017

Development Loan Agreement for the Scattered Site Rehab project, including hiring a consultant to assess the feasibility of converting 1340-1348 Blake Street and 2425 California Street to cooperatives, and updating organizing documents to reflect a tripartite structure consistent with community land trust standards.

BE IT FURTHER RESOLVED that Small Sites Program operating and development budget standards will be applied to Northern California Land Trust's Anti-Displacement Project.

BE IT FURTHER RESOLVED that loan funds shall be reserved for 2527 San Pablo Avenue, 1740 San Pablo Avenue, and 2321-2323 10th Street a period of no more than 24 months from the date of this Resolution, contingent on the developer's obtaining all required land use approvals and securing commitments for full project funding that the City Manager or her designee deems sufficient within the reservation period.

BE IT FURTHER RESOLVED that loan funds shall be reserved for 2001 Ashby a period of no more than 36 months from the date of this Resolution, contingent on the developer's obtaining all required land use approvals and securing commitments for full project funding that the City Manager or her designee deems sufficient within the reservation period.

BE IT FURTHER RESOLVED that all funding reservations are conditioned upon the completion of the environmental review process, except as authorized by 24 CFR, Part 58, and that should HOME and/or CDBG funds constitute a portion of the funding for any project, a final commitment of HOME and/or CDBG funds shall occur only upon the satisfactory completion of the appropriate level of environmental review and also upon the receipt of approval of the request for release of funds and related certification from the U.S. Department of Housing and Urban Development, when applicable. The funding reservation for any of the HOME and/or CDBG funded projects is conditioned upon the City of Berkeley's determination to proceed with, modify, or cancel the project based on the results of subsequent environmental review under the National Environmental Policy Act.

BE IT FURTHER RESOLVED that the making of each loan shall be contingent on and subject to such other appropriate terms and conditions as the City Manager or her designee may establish.

BE IT FURTHER RESOLVED that the City Manager may incorporate each project's predevelopment loan into a permanent loan resulting from this resolution.

BE IT FURTHER RESOLVED the City Manager, or her designee, is hereby authorized to execute all original or amended documents or agreements to effectuate this action; a signed copy of said documents, agreements and any amendments will be kept on file in the Office of City Clerk.

