



Office of the City Manager

INFORMATION CALENDAR

July 27, 2021

To: Honorable Mayor and Members of the City Council

From: Dee Williams-Ridley, City Manager

Submitted by: Lisa Warhuus, Director, Health, Housing, and Community Services

Subject: Referral Response: Facilitate the Local Implementation of Senate Bill 1413 and Expedite the Development of Teacher and School Employee Housing

INTRODUCTION

The City of Berkeley continues to support the Berkeley Unified School District's (BUSD) efforts to develop affordable and workforce housing for its educators and employees. This report provides an overview of actions taken thus far as well as future actions scheduled for Council's consideration.

CURRENT SITUATION AND ITS EFFECTS

This report responds to referral #PRJ0013215 that originally appeared on the agenda of the September 27, 2016 Council meeting and was sponsored by Councilmembers Kriss Worthington and Darryl Moore (Attachment 1).

On November 13, 2018, Staff submitted a separate referral response to investigate the feasibility of developing workforce housing, in conjunction with BUSD, for teachers and employees. This report was supported by a study from the UC Berkeley Center of Cities and Schools on the feasibility of school district employee housing for BUSD.

On February 26, 2019, Superintendent Donald Evans and School Board Director Julie Sinai sent a letter to the City Council requesting a \$150,000 planning grant, an amendment to the Housing Trust Fund Guidelines to accommodate 120% Area Median Income (AMI) households, and a pledge to identify future financial resources for a BUSD-sponsored housing development (Attachment 2). The BUSD proposed to partner with the City on this development to create 100 units or more units of affordable educator workforce housing by Spring 2022.

On April 30, 2019, Council authorized \$150,000 of Measure U1 revenue for a planning and pre-development grant for BUSD teacher/workforce housing. BUSD executed a contract to draw these funds in April 2021. BUSD staff submitted all materials needed to satisfy conditions for the release of funds and, at the time of the writing of this report in May 2021, are scheduled to receive the full \$150,000 request by June 2021.

In December 2019, City Council reserved \$15.432 million of the second tranche of Measure O bond funds for Maudelle Miller Shirek Community (2001 Ashby) and established a priority for a BUSD-sponsored educator housing project for the remaining funds in that issuance. Council authorized releasing a Notice of Funding Availability (NOFA) dedicated to BUSD-sponsored educator housing in April 2021.

On May 25, 2021, the City released a NOFA to fund affordable educator housing developments that are sponsored by BUSD and meet certain criteria in the City's HTF Guidelines. Staff estimate approximately \$24.5 million will be available through this NOFA. Educator housing will serve school district employees including classified staff, certificated teachers, and other administrative support staff.

City Council voted to allow proposals serving households earning up to 120% AMI for this NOFA. BUSD is encouraged to propose deeper affordability, if feasible.

Facilitating the local implementation of SB 1413 and expediting the development of educator and school district employee housing is a Strategic Plan Priority Project, advancing our goal to create affordable housing and housing support service for our most vulnerable community members.

BACKGROUND

SB 1413 allows school districts to establish and implement programs that address the housing needs of teachers and school district employees who face challenges in securing affordable housing. To the extent feasible, school districts may establish and implement programs that do the following:

- a) Leverage federal, state, and local public, private, and nonprofit programs and fiscal resources available to housing developers.
- b) Promote public and private partnerships.
- c) Foster innovative financing opportunities.

ENVIRONMENTAL SUSTAINABILITY AND CLIMATE IMPACTS

Providing infill affordable and/or workforce housing is generally considered a more sustainable type of development. At a minimum, staff will ensure a new housing development will include all-electric equipment, systems, and appliances (in accordance with the Natural Gas Prohibition) and maximize energy-efficient design elements. Enabling BUSD employees to live closer to the schools they serve will mitigate greenhouse gas emissions from driving commuters.

POSSIBLE FUTURE ACTION

Council may consider authorizing any projects proposed by BUSD and their selected development partners in response to the May 2021 NOFA. Council may consider coordinating with BUSD to support them in future bond initiatives for educator housing as allowed by SB 1413.

FISCAL IMPACTS OF POSSIBLE FUTURE ACTION

Reserving Measure O funds for a BUSD project would enable financing for new construction affordable housing consistent with bond requirements. Units dedicated to incomes above 60% AMI do not typically qualify for Low Income Housing Tax Credits (LIHTC), the primary funding source for the majority of HTF-funded affordable housing developments. Serving these income levels may require a greater financial commitment by the City comparatively to other HTF projects.

CONTACT PERSON

Mike Uberti, Community Development Project Coordinator, HHCS, (510) 981-5114

Attachments:

- 1: Original Referral Report from September 27, 2016
- 2: February 2019 Request from the Berkeley Unified School District



Kriss Worthington

Councilmember, City of Berkeley, District 7
 2180 Milvia Street, 5th Floor, Berkeley, CA 94704
 PHONE 510-981-7170, FAX 510-981-7177, EMAIL
 kworthington@ci.berkeley.ca.us

CONSENT CALENDAR

September 27, 2016

To: Honorable Mayor and Members of the City Council
 From: Councilmember Kriss Worthington
 Councilmember Darryl Moore

Subject: City Manager Referral: Facilitate the Local Implementation of Senate Bill 1413 and Expedite the Development of Teacher and School Employee Housing

RECOMMENDATION:

Refer to the City Manager to work with the Planning Department to facilitate the local implementation of Senate Bill 1413 in an effort to expedite the development of housing for teacher and school employees in Berkeley.

BACKGROUND:

SB 1413 by California State Senator Mark Leno is legislation intended to help public school employees afford to live and work in cities, like Berkeley, that have high rents. SB 1413 recently passed both house of the California Legislature and is expected to be signed in to law by Governor Jerry Brown.

Developing new affordable housing that is specific to teacher and public school employees is an innovative measure that is designed to help stabilize housing for public school employees.

According to SB 1413, "A growing trend driving teacher turnover is the steadily increasing cost of housing in certain markets. In addition to the negative emotional and developmental impacts teacher turnover has on students, the costs borne by school districts to recruit, hire, and train new teachers each summer is immense. In San Francisco alone, during the summer of 2015, the school district had to recruit, hire, and train 700 new teachers. Many cited housing costs as the reason why the teacher was leaving the school district."

Facilitating a process for a speedy implementation of the law will assist teachers and other school employees with the opportunity to live in our City. We want to encourage partnership that expedite the development of housing as a result of SB 1413

For more information:

https://leginfo.legislature.ca.gov/faces/billNavClient.xhtml?bill_id=201520160SB1413

FINANCIAL IMPLICATIONS:

Minimal.

ENVIRONMENTAL SUSTAINABILITY:

Consistent with Berkeley's Environmental Sustainability Goals and no negative impact.

CONTACT PERSON:

Councilmember Kriss Worthington 510-981-7170



2020 Bonar Street, Berkeley, CA 94702
 (510) 644-6206 Fax: (510) 540-5358
 donaldevans@berkeley.net
 Donald Evans, Ed. D.
 Superintendent

February 26, 2019

Dear Mayor Arreguín and Honorable Members of the Berkeley City Council:

On behalf of the Berkeley Unified School District (“BUSD”), with more than 1,200 employees, and almost 10,000 students, the Berkeley School Board would like to thank you for your unanimous decision to place Measure O on the November 2018 ballot. That measure—which passed with over 77% of the vote—enables the City “to issue \$135 million in bonds to create and preserve affordable housing for low-income households, working families, and individuals including teachers.”

The success of Measure O was due in no small part to its explicit inclusion of funding affordable housing for teachers. The explicit support of housing for teachers was in part why the Berkeley School Board unanimously supported Measure O, and it was why the Berkeley Federation of Teachers supported and actively campaigned for Measure O.

To address this housing crisis, the Board held its third Work Session on February 6th, which focused on Educator Workforce Housing on District property. I am pleased to report to you that the Berkeley School Board unanimously voted to move forward. We specifically decided the following:

- *Designate Director Julie Sinai and Superintendent Evans (or designee) to establish communication with the City, and to investigate sites, financing models and timelines and report back to the Board at its April 10, 2019 meeting.*
- *Submit a letter to the Mayor and Council requesting Measure O support for educator workforce housing, as articulated in the measure, by expanding income eligibility to include up to 120% AMI.*
- *Design a process to narrow the BUSD opportunity sites.*
- *Engage the City in exploring a partnership to develop workforce housing for district staff - including but not limited to, financing from Measure O, timelines, and planning for site selection.*

With the above direction, we respectfully recommend the Berkeley City Council consider the following:

1. *Amend the Housing Trust Fund and other relevant City of Berkeley housing policies to foster workforce housing for educators by expanding income eligibility to include up to 120% AMI.*
2. *Support BUSD with an allocation of \$150,000 from Measure U1 or other appropriate sources for a planning and pre-development grant to conduct planning and pre-development work, including site analysis and selection, design and engage in a transparent public process, and to refine a timeline for project development.*
3. *Work with the District to identify possible financing opportunities for capital development, including but not limited to, U1, Measure O, Developer Fees, and/or County or State sources.*

Background:

The need for teacher housing, as well as housing for our classified employees, is urgent and is well documented. BUSD recently contracted with the Center for City and Schools at UC Berkeley to help conduct a housing survey of all district employees, certificated and classified employees. Over 800 employees responded, which corresponds to over 60% of all district employees. The survey results

make clear that the current affordability crisis is creating significant housing security pressures on BUSD employees. In fact, over half of the households for District employees who rent are “cost burdened” (i.e., they spend more than 30% of their family income on rent) and 20% are “severely cost burdened” (i.e., they spend more than 50% of their family income on rent). Additionally, 78% of District employees who are not homeowners experience financial pressures due to high housing costs, which impacts their ability to stay with BUSD long-term. Combined with the financial burden, the survey showed social and physical health issues related to a significant number of BUSD employees driving long distances to get to Berkeley. These long commutes are resulting in increased health and wellness burdens, and reduced student and community engagement. One of the key statistics that the School Board and District Administration are grappling with is the fact that of District employees who don’t own their own homes, 78% indicated that housing insecurity is impacting their ability to stay with BUSD long-term. Not surprisingly, then, there is significant interest among District employees in workforce housing.

Income Eligibility:

We recognize that for Measure O to fund housing for teachers, as described in the Measure, it must expand income-eligibility from household income of 60% of AMI or below to up to 120% of AMI for Workforce Housing. The income level for the vast majority of District teachers is higher than 60% of AMI; yet, as the results from the survey show, they still cannot afford to live in or near the community in which they teach.

The Berkeley School Board respectfully requests that the City Council explicitly allow the use of Measure O funds to finance affordable housing for District educators (teachers and classified staff) through income-eligible units at up to 120% AMI.

Financing:

At our work session, we discussed the financial building blocks needed to actualize educator workforce housing. With the contribution of land by BUSD, the ability to attract tax credits due to favorable State of California Laws (the Leno Law), and the fact that educators are working middle class and can pay rent, the core elements of financing are in sight. However, there will be a missing funding gap that must be filled in order to ensure that our educator housing is available to all levels of BUSD educators today and into the future.

Site Selection:

In 2016-2017, the District commissioned a study to identify District owned opportunity sites that could accommodate housing. While the initial study identified four potential sites, it was only a preliminary inquiry and did not provide the Board with the information needed to narrow the sites. To conduct the necessary planning and public input process, the District needs Planning and Pre-development funds as soon as possible.

Timing:

At this time, the District’s capital budget does not include housing development as an allowable use of funds, and the Board is in the process of making \$2 million in reductions of our General Fund due to inadequate State funding for public education and increasing costs. Once we get the planning stage complete, the Board can narrow the sites and select a transparent process to move forward with design and financing strategies.

We are seeking a partnership with the City. With the possibility of District land combined with feasible financing, together, we have the opportunity to provide 100 or more units of affordable educator workforce housing. We hope that the Council will seek avenues to secure funding in the first phase of Measure O bonds and/or other appropriate funding source such as U1, to support planning, predevelopment and development of educator housing.

Once the Board approves the site selection, we intend to move quickly to prepare a proposal for funding with the intention of completing a meaningfully educator (teachers and staff) workforce housing development by Spring 2022. Given the scale of our intended project, and the funding that can be secured outside of the City, providing the "gap" funding will allow the City to leverage the public financing tool available while meeting the ballot commitment in an efficient way. We look forward to partnering with you to make this a reality.

Sincerely,



*Donald Evans, Ed.D
Superintendent*



*Julie Sinai
School Board Director*

CC: Dee Williams, City Manager