



Office of the City Manager

CONSENT CALENDAR
December 14, 2021

To: Honorable Mayor and Members of the City Council
From: Dee Williams-Ridley, City Manager
Submitted by: Lisa Warhuus, Director, Health, Housing & Community Services
Subject: 2021 Housing Trust Fund Request for Proposals Funding Reservations

RECOMMENDATION

Adopt a Resolution to:

1. Reserve Housing Trust Funds and other currently available affordable housing funds, and forward reserve of up to \$17M in Measure O Bond funds from the third issuance (anticipated in 2025) and up to \$2.5M in FY 2023 General Funds from Measure U1 for the following proposals as detailed below:
 - Ashby Lofts (2909-2919 Ninth / Satellite Affordable Housing Associates /SAHA) at \$850,000
 - Ephesians Legacy Court (1708 Harmon / Community Housing Development Corporation / CHDC) at \$2,500,000
 - MLK House (2942-2944 MLK / Resources for Community Development / RCD) at \$1,178,974
 - St. Paul Terrace (2024 Ashby / Community Housing Development Corporation / CHDC) at \$2,500,000
 - Supportive Housing in People's Park (2556 Haste / Resources for Community Development / RCD) at \$14,359,593 (including up to \$3M for predevelopment)
2. Reserve the balance of recommended funds of approximately \$13M dollars for one of the CHDC-sponsored projects (Ephesians Legacy Court or St. Paul Terrace) to be determined based on the project's readiness and feasibility, and with the intent that once further predevelopment work has been completed, the City Manager, CHDC, and the HTF Subcommittee work together to recommend a specific project for fund reservation.
3. Prioritize future housing funds (including, but not limited to, HTF and Measure O funds) for the CHDC project (Ephesians Legacy Court or St. Paul Terrace) not fully funded through this RFP.

4. Condition predevelopment funding for new construction projects (Ephesians Legacy Court, St. Paul Terrace, and Supportive Housing in People's Park) on site control;
5. Authorize the City Manager to refinance existing HTF development loans to Ashby Lofts and MLK House and predevelopment loans for each project funded through this NOFA into new loans with terms consistent with the HTF Guidelines;
6. Approve the following waivers of the HTF Guidelines for MLK House:
 - a. Waive Section IV.C.1 to allow a subsidy in excess of 40% of total development costs; and
 - b. Waive Section IV.C.2 to allow an interest rate of 0% for the new loan (in line with Council's 2017 approval of 0% interest rate for the refinanced MLK House loan)
7. Allow Northern California Land Trust to submit a revised application for up to \$500k in Permanent Local Housing Allocation (PLHA) rehabilitation funds to support the renovation of 2207 Haste with the following conditions:
 - a. Application submittal within 90 days of City Council action; and
 - b. include a scope of work consistent with renovations proposed and substantiated by an updated physical needs assessment.
8. Authorize the City Manager or her designee to execute all original or amended documents or agreements to effectuate these actions.

SUMMARY

Council authorized a Request for Proposals (RFP) on April 27, 2021 to solicit applications for affordable housing projects to be funded through the City's Housing Trust Fund (HTF) program. The RFP included funds from the HTF, Permanent Local Housing Allocation (PLHA) funds, and Measure O bond funds from the first two tranches.

The City received six applications. On November 4, 2021, the Housing Advisory Commission (HAC) considered a report from Health, Housing and Community Services staff and the HAC's HTF 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 HAC's recommendations.

FISCAL IMPACTS OF RECOMMENDATION

Applicants requested \$42.5M in predevelopment, development and operating funds through this RFP.

Staff estimated that approximately \$17.3 million could be allocated through this RFP, including the available HTF balance, Permanent Local Housing Allocation Funds, and unallocated funds projected from the first two issuances of Measure O. The recommendation would reserve all of that available funding, and forward reserve \$2.5M in FY23 general funds generated pursuant to Measure U1, as well as the unallocated funds from the third issuance of Measure O bond (estimated at \$17M less any bond issuance costs). The recommendation also includes prioritizing future housing funding for whichever CHDC project does not get fully funded with the available and recommended funds.

CURRENT SITUATION AND ITS EFFECTS

The City issued an RFP on August 3, 2021 to solicit proposals for new construction and renovation projects. The City received six applications by the September 2, 2021 due date.

At their November 4, 2021 meeting, the HAC supported the staff and HTF Subcommittee recommendations for all six proposals as shown in the resolution, including a forward reservation of Measure O bond funds and FY23 general funds from Measure U1.

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

BACKGROUND

Staff and the HAC's HTF 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 November 4, 2021 meeting, the HAC took the following actions:

Action: M/S/C (Lee-Egan/Potter) to recommend that Council:

1. Fund the following proposals at the following levels:
 - Ashby Lofts (2909-2919 Ninth / Satellite Affordable Housing Associates / SAHA) at \$850,000
 - Ephesians Legacy Court (1708 Harmon / Community Housing Development Corporation / CHDC) at \$2,500,000
 - MLK House (2942-2944 MLK / Resources for Community Development / RCD) at \$1,178,974
 - St Paul Terrace (2024 Ashby / Community Housing Development Corporation / CHDC) at \$2,500,000

- Supportive Housing in People's Park (2556 Haste / Resources for Community Development / RCD) at \$14,359,593 (including up to \$3M for predevelopment)
2. Reserve the balance of approximately \$13M dollars for a CHDC project to be determined based on the project's readiness and feasibility, and with the intent that once further predevelopment work has been completed, the City Manager, CHDC, and the HTF Subcommittee work together to recommend a specific project for fund reservation.
 3. Prioritize future housing funds (including, but not limited to, HTF and Measure O funds) for the CHDC project not funded through this RFP.
 4. Make a forward reservation of the following funds, in addition to currently available housing funds in the RFP:
 - a. Up to \$17M in Measure O bond funds from the third issuance (anticipated in 2025); and
 - b. Up to \$2.5M in FY2023 general funds from Measure U1
 5. Condition predevelopment funding for new construction projects on site control;
 6. Authorize the City Manager to refinance existing HTF development loans and predevelopment loans for each project into new loans with terms consistent with the HTF Guidelines;
 7. Approve the following waivers of the HTF Guidelines for MLK House:
 - a. Waive Section IV.C.1 to allow a subsidy in excess of 40% of total development costs; and
 - b. Waive Section IV.C.2 to allow an interest rate of 0% for the new loan (in line with Council's 2017 approval of 0% interest rate for the refinanced MLK House loan)
 8. Allow Northern California Land Trust to submit a revised application for up to \$500k in Permanent Local Housing Allocation (PLHA) rehabilitation funds to support the renovation of 2207 Haste.
 - a. Within 90 days of City Council action; and
 - b. With a scope of work consistent with renovations proposed, substantiated by an updated physical needs assessment.

Vote: Ayes: Fain, Johnson, Lee-Egan, Potter, Sanidad, Sargent, and Simon-Weisberg. Noes: None. Abstain: None. Absent: Mendonca (approved) and Rodriguez (unapproved).

Ashby Lofts – Satellite Affordable Housing Associates (SAHA)

SAHA requested \$850,000 for the renovation of Ashby Lofts, located at 2909-2919 Ninth Street.

Ashby Lofts is a 54-unit, occupied affordable housing property owned and operated by SAHA. The City of Berkeley provided \$3M in funding for the project between 2004 and 2007. SAHA is proposing a tax credit resyndication in order to generate revenue to address capital needs at the property. The proposed rehabilitation would include substantial life safety upgrades to the building exterior, as well as building electrification. Ashby Lofts serves households earning between 30% and 50% of the Area Median Income (AMI), some of whom have physical or mental disabilities. The project includes 18 1-bedroom units, 24 2-bedroom units, and 12 3-bedroom units.

SAHA proposed funding the project with 4% tax credits, a bank loan, a seller carryback loan, and deferred developer fee.

Ephesians Legacy Court – Community Housing Development Corporation (CHDC)

CHDC requested \$12,902,599 for the development of Ephesians Legacy Court, located at 1708 Haste, and requested that \$2.5 million of their request be available for predevelopment costs anticipated between now and construction loan closing.

CHDC is working with the property owner, Ephesians Church of God in Christ (EGOGIC) to develop their property into affordable housing. The entities entered into a Memorandum of Understanding (MOU), and are working with attorneys to form their development partnership. CHDC is also negotiating the terms of the ground lease with EGOIC, though it's expected to be 99 years to satisfy the anticipated lenders and tax credit investor requirements. Ephesians Legacy Court will provide 82 affordable apartments for seniors earning 30% to 60% AMI. CHDC proposed setting aside 20 units for the formerly unhoused. The development team will pursue entitlements under SB35.

CHDC will pursue Multifamily Housing Program funds from the state, in addition to 4% tax credits and either Infill Infrastructure Grant (IIG) funds or Transit Oriented Development (TOD) funds.

Homeless to Housed - Northern California Land Trust (NCLT)

NCLT requested operating subsidy equal to \$3,450,000 to support formerly homeless households at three NCLT properties: 2207 Haste (8 bedrooms/SROs), 1349 Hearst (1 unit, pending acquisition), and 1340-1348 Blake (1 unit).

NCLT proposed managing the ten scattered site units as one project with resident case management provided by an outside agency. The ten subsidized units would house formerly unhoused residents with expected incomes around 15% AMI. The proposal included leveraging the City operating subsidy to support the acquisition of 1349 Hearst and renovation of 2207 Haste.

In addition to City funds, NCLT proposed using a bank loan, an energy efficiency loan, and their own equity to fund the project.

Housing staff were concerned about the long-term viability and advisability of supportive housing in small, scattered properties without onsite management. The HAC supported staff's recommendation that NCLT be allowed to submit a revised application for up to \$500,000 to support renovations at 2207 Haste.

MLK House - Resources for Community Development (RCD)

RCD initially requested \$1,128,974 for the renovation of MLK House located at 2942-2944 Martin Luther King, Jr. Way. Prior to the HAC meeting, RCD indicated that the project would need an additional \$50,000, for a revised request of \$1,178,974. The HAC recommend funding the project at RCD's revised request.

MLK House is a 12-room SRO with a resident population comprised primarily of clients of Berkeley Mental Health (BMH). Currently, 11 units are occupied by Shelter + Care (S+C) clients, and one by a low-income tenant.

While the City's support has enabled the property to operate on a break-even basis for thirty years, RCD has struggled to build replacement reserves and keep up with the capital needs. As a result, the property needs significant physical upgrades. RCD plans to use the available reserves to fund the project in addition to the City funds.

RCD requested a 0% interest rate on a new City loan. In 2017, City Council approved a refinance of MLK House's original City loan and reset the interest rate at 0% due to the low cash flow and population served.

St Paul Terrace – Community Housing Development Corporation (CHDC)

CHDC requested \$9,840,000 for St Paul Terrace, located at 2024 Ashby, and requested that \$2.5 million of their request for St. Paul Terrace be available for predevelopment costs anticipated between now and construction loan closing.

CHDC is partnering with St. Paul AME Church to develop affordable housing on the church's property. The proposed project would have 52 units serving households earning between 30%-60% AMI. CHDC aims to reserve 11 units for formerly unhoused households, though their ability to do so depends on the availability of certain state funds. The development team will pursue entitlements under SB35.

CHDC will pursue 4% tax credits, either No Place Like Home funds or Multifamily Housing Program funds from the state, and either Infill Infrastructure Grant (IIG) funds or Transit Oriented Development (TOD) funds.

Supportive Housing in People’s Park - Resources for Community Development (RCD)

RCD requested \$10,909,593 in development funds and \$3,450,000 in operating subsidies (\$14,359,593 total) for Supportive Housing in People’s Park – a new construction project at 2556 Haste. RCD requested that \$3M be available for predevelopment funding.

The University of California, Berkeley selected RCD to develop permanent supportive housing at People’s Park, in conjunction with the University’s redevelopment of the park and construction of new student housing. Supportive Housing in People’s Park will include 119 affordable housing units serving households earning between 10-50% AMI, with at least 62 permanent supportive housing units and onsite supportive services. The project was entitled by the University in September.

RCD plans to pursue state No Place Like Home funds, Multifamily Housing Program funds, and 4% tax credits. Berkeley Housing Authority approved 27 project-based vouchers for the project.

ENVIRONMENTAL SUSTAINABILITY AND CLIMATE IMPACTS

All six projects addressed environmental sustainability in their project design and scope. The three new construction projects would be built to third-party green building standards (either LEED Gold or GreenPoint Gold). The three renovation projects would incorporate energy efficiency and sustainability measures into the scope as feasible.

RATIONALE FOR RECOMMENDATION

All six projects meet local needs and priorities by collectively adding 253 new affordable housing units to the City’s inventory and improving the City’s existing affordable housing stock. All three new construction projects (Ephesians Legacy Court, St Paul Terrace, and Supportive Housing in People’s Park) proposed reserving a portion of the units for formerly unhoused households, though each project’s ability to do so will depend on successful state funding and sufficient operating support. Ashby Lofts, MLK House, and NCLT’s 2207 Haste have existing HTF loans and affordability restrictions, and the proposals include health, safety, and sustainability-focused renovations that would benefit current and future residents.

The proposed forward reservation of FY23 general funds from Measure U1 and Measure O bond funds from the third issuance will allow projects to compete for state funds in 2022 so they can be ready to proceed when City funds are available. Reserving the funds now will help deliver new projects on a faster timeline and lower cost (due to continuing cost escalation).

The attached 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 project timing.

ALTERNATIVE ACTIONS CONSIDERED

Staff considered making recommendations that did not include a forward commitment of Measure O Bond funds and FY23 general funds from Measure U1. However, without those funds, the City would not be able to fund either CHDC project in full. Projects without full development reservations would not be as competitive for state funding and would likely be delayed up to two years.

CONTACT PERSON

Jenny Wyant, Senior Community Development Project Coordinator, HHCS, (510) 981-5228

Attachments:

- 1: Resolution
- 2: Funding Table

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

APPROVAL OF THE 2021 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, City Council adopted HTF guidelines (the "Guidelines") as revised on January 19, 2021, and authorized the HTF Program in accordance with the Guidelines; 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 April 27, 2021 the City Council approved issuing a Request for Proposals (RFP) through the HTF program to allocate available housing funds, including the balance of the HTF, Permanent Local Housing Allocation funds, and unallocated funds from the first two issuances of Measure O bonds; and

WHEREAS, the City issued an RFP on August 3, 2021 and announced acceptance of applications for funding from the Housing Trust Fund until September 2, 2021, and subsequently received six responses; and

WHEREAS, on November 4, 2021 the HAC approved a motion recommending funding reservations for Satellite Affordable Housing Associates' Ashby Lofts (2909-2919 Ninth Street), Community Housing Development Corporation's Ephesians Legacy Court (1708 Harmon Street), Resources for Community Development's MLK House (2942-2944 MLK Jr. Way), Community Development Housing Corporation's St Paul Terrace (2024 Ashby Ave), and Resources for Community Development's Supportive Housing in People's Park (2556 Haste); and

WHEREAS, the HAC recommended forward reserving up to \$17 million from the third issuance of Measure O bond funds, and \$2.5 million in FY2023 general funds from Measure U1 for the projects seeking funding through the 2021 HTF RFP; and

WHEREAS, the HAC recommended reserving the balance of funds available through this RFP (approximately \$13 million dollars, inclusive of the forward reservations) for the Community Housing Development Corporation project to be determined based on the project's readiness and feasibility, and with the intent that once further predevelopment

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work has been completed, the City Manager, CHDC, and the HTF Subcommittee work together to recommend a specific project for a funding reservation; and

WHEREAS, the HAC recommended that the City prioritize future housing funds (including, but not limited to, HTF and Measure O funds) for the CHDC project not funded through this RFP; and

WHEREAS, the HAC recommended conditioning predevelopment funding for the new construction projects on site control; and

WHEREAS, the HAC recommended that the City Manager refinance existing HTF development loans and predevelopment loans for each project into new loans with terms consistent with the Guidelines; and

WHEREAS, the HAC's motion included recommendations to waive certain sections of the Guidelines in order to fund Resources for Community Development's MLK House project; and

WHEREAS, that same motion recommended allowing Northern California Land Trust up to 90 days to submit a revised application for up to \$500,000 to support the renovation of 2207 Haste.

NOW THEREFORE, BE IT RESOLVED by the Council of the City of Berkeley that the Council approves the following funding reservations from currently available affordable housing funds and from forward reservations of up to \$17 million from the third issuance of Measure O bond funds and \$2.5 million in FY2023 general funds generated pursuant to Measure U1:

- Satellite Affordable Housing Associates' Ashby Lofts (2909-2919 Ninth Street) for \$850,000;
- Community Housing Development Corporation's Ephesians Legacy Court (1708 Harmon) for \$2,500,000;
- Resources for Community Development's MLK House (2942-2944 MLK Jr. Way) for \$1,178,974
- Community Housing Development Corporation's St Paul Terrace (2024 Ashby Ave) for \$2,500,000; and
- Resources for Community Development's Supportive Housing in People's Park (2556 Haste) for \$14,359,593.

BE IT FURTHER RESOLVED that Council approves reserving the balance of funds available through this RFP (approximately \$13 million dollars, inclusive of the forward reservations of Measure O bond funds from the third issuance and FY2023 general funds from Measure U1) for the Community Housing Development Corporation project (Ephesians Legacy Court or St. Paul Terrace) to be determined based on the project's readiness and feasibility, and with the intent that once further predevelopment work has been completed and within 12 months from the date of this Resolution, the City Manager,

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CHDC, and the HTF Subcommittee work together to recommend a specific project for a funding reservation.

BE IT FURTHER RESOLVED that the Council approves prioritizing future housing funds (including, but not limited to, HTF and Measure O funds) for the CHDC project not funded through this RFP (St. Paul Terrace or Ephesians Legacy Court).

BE IT FURTHER RESOLVED, that the Council conditions predevelopment funding for the new construction projects (Ephesians Legacy Court, St Paul Terrace, and Supportive Housing in People's Park) on site control.

BE IT FURTHER RESOLVED that the City Manager may incorporate each project's predevelopment loan or existing development loan (in the case of Ashby Lofts and MLK House) into a new permanent loan resulting from this resolution.

BE IT FURTHER RESOLVED that the Council waives the requirements of Section IV.C.1 of the Housing Trust Fund Guidelines and approves HTF funds in excess of 40% for Resources for Community Development's MLK House due to the nature of the development and the unavailability of alternative financing.

BE IT FURTHER RESOLVED that the Council waives the requirements of IV.C.2 of the Housing Trust Fund Guidelines and approves a 0% interest rate for Resources for Community Development's MLK House, consistent with Council's 2017 action approving the same.

BE IT FURTHER RESOLVED that the Council will allow Northern California Land Trust to submit a revised application within 90 days of this action for up to \$500,000 to support the renovation of 2207 Haste.

BE IT FURTHER RESOLVED that all development and predevelopment loan funds shall be reserved for a period of no more than 24 months from the date of this Resolution, contingent on the developers' 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.

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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 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.

2021 Housing Trust Fund Request for Proposals - Proposed Funds and Projects

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

		Ashby Lofts	Ephesians	NCLT/Haste	MLK House	St Paul	SH at People's Park	Funds Reserved for CHDC Projects
Funds Requested	42,581,526	850,000	12,902,599	3,450,000	1,178,974	9,840,000	14,359,953	
Proposed Funding:								
HTF*	4,857,308		1,500,000			1,500,000	1,857,308	-
HOME	667,332						667,332	-
Measure O tranches 1 and 2	4,600,000						4,600,000	-
PLHA - rehab	3,725,522	850,000		500,000	1,178,974		1,196,548	-
PLHA – operating	3,450,000						3,450,000	-
Measure O tranche 3**	15,408,567						2,088,765	13,319,802
U1***	2,500,000		1,000,000			1,000,000	500,000	-
Total Housing Funds:	35,208,729	850,000	2,500,000	500,000	1,178,974	2,500,000	14,359,953	13,319,802

*RFP estimated \$5.2 million in HTF.

**Not included in the initial RFP estimates. Would require Council approval at time of funding reservation. . The recommendation is to request up to \$17M from Measure O tranche 3, which also includes an \$18M reservation for affordable housing at Ashby/North Berkeley BART. The actual amount of Measure O funds available may be less than that due to costs related to the issuance of the bonds. The estimate shown here reflects the \$17 million less issuances fees. The Measure O projections can be more accurately assessed with the second issuance.

***Not included in the initial RFP estimates. Would require Council approval at time of funding reservation.