



ACTION CALENDAR  
January 31, 2023

To: Honorable Members of the City Council

From: Mayor Jesse Arreguín

Subject: Resolution Authorizing Regional Early Action Planning Grants (REAP 2.0) for Higher Impact Transformative Activities

RECOMMENDATION

Adopt a resolution authorizing the City of Berkeley to request an allocation of Early Action Planning Grants (REAP 2.0) for Higher Impact Transformative Activities.

BACKGROUND

The Regional Early Action Planning Grants of 2021 (REAP 2.0) Higher Impact Transformative (HIT) Allocation is intended to made funding available to regional entities including Metropolitan Planning Organizations, rural counties, and tribal entities on a competitive basis to support novel, unique or innovative approaches that are scalable and that further REAP 2.0's Goals and Objectives. REAP 2.0 makes funding available to meet the state's Housing and equity goals, reduce Vehicle Miles Traveled (VMT) Per Capita, and advance implementation of the region's Sustainable Communities Strategy (SCS) or Alternative Planning Strategy.

The BART Equitable Transit-Oriented Development (TOD) Accelerator proposal aims to address two systemic challenges to advancing development near BART stations: a shortage of predevelopment financing for affordable housing, and the need to capture value of new development to support nearby communities who are vulnerable to displacement. The Equitable TOD Accelerator addresses these challenges through the innovative use of a revolving loan fund and enhanced infrastructure financing districts (EIFD).

Use #1: Revolving Loan Fund for Predevelopment Needs on BART-Owned Land

Smaller scale affordable housing developers working with BART have reported difficulties advancing projects due to the scale of financing needed to complete predevelopment activities for multiphase projects. BART would use the HIT grant to work with consultants and a Community Development Financial Institution (CDFI) to set up and operate a revolving loan fund specifically for predevelopment costs at affordable housing projects. The CDFI will also be tasked with leveraging the HIT grant to expand the fund, with the

HIT grant in a first-loss position. This structure would reduce the risk on these uncollateralized loans to a more standard level, making them attractive to private predevelopment investments. The initial loan would be made to the Lake Merritt/Chinatown TOD Senior Affordable Housing project, which has received its final approvals from the City of Oakland and, if funding is secured, could break ground as early as 1st Quarter 2024. Upon repayment at close of construction financing, BART would cycle funds to another affordable housing project in BART's portfolio, creating a perpetual loan fund to address the high predevelopment costs of multi-phase development on BART land. BART's robust TOD pipeline contains ample opportunities to accelerate affordable housing development at transit-rich, infill sites, and as such the HIT funds would have a lasting impact across multiple projects on public land.

#### Use #2: Value Capture for Community Benefits in Vulnerable Communities

The City of Berkeley and BART would use HIT funding to create an EIFD designed to capture the value of development on BART land as well as land nearby the Ashby Station, and create a reliable financing source to accelerate the development of affordable housing and other community-serving infrastructure. The EIFD would leverage tax increment financing to specifically fund anti-displacement efforts, which would be an innovative use of this tool. The scope would fund City of Berkeley staff time, consultant time, and creation of the work products needed to establish this EIFD. BART and the City of Berkeley are advancing development at the Ashby BART station with the goal of releasing a developer solicitation for BART property in mid-2023. BART and the City have a goal of making 50% of the homes on BART property affordable, and understand that the community wants the value generated by the development to accrue to the neighborhood, primarily through the funding of affordable housing. We believe this work, coupled with the development of a 700 – 1,200-unit housing project on the Ashby BART property, could create a new model for equitable infill development that ensures this development is truly serving the local community and benefiting surrounding areas.

#### FINANCIAL IMPLICATIONS

The City Manager or their designee is authorized to enter into, execute, and deliver a State of California Standard Agreement for the amount of a maximum of \$10,000,000 and any and all other documents required or deemed necessary or appropriate to evidence and secure the REAP 2.0 Allocation, the City of Berkeley obligations related thereto and all amendments the Department of Housing and Community Development deems necessary.

#### CONTACT PERSON

Jesse Arreguín, Mayor, 510-981-7100

#### Attachments:

1. Resolution

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

Authorizing Regional Early Action Planning Grants (REAP 2.0) for Higher Impact Transformative Activities

WHEREAS, the State of California (the "State"), Department of Housing and Community Development ("Department") Department is authorized to provide up to \$30,000,000 to Eligible Entities ("Applicant") listed in Health and Safety Code Section 50515.08, subdivisions (a)(1)-(6) under the Higher Impact Transformative (HIT) Allocation of the Regional Early Action Planning grants program (REAP 2.0), as detailed in Health and Safety Code Section 50515.08-10; and

WHEREAS, the Department issued a Notice of Funding Availability on November 9, 2022 for REAP 2.0 HIT Allocation funds available to Eligible Entities and

WHEREAS, the City of Berkeley is an Eligible Entity eligible to submit a Request for Funds pursuant to Health and Safety Code Section 50515.08(c) to develop and accelerate the implementation of the requirements described in Health and Safety Code section 50515.08(c)(1); and

WHEREAS, the San Francisco Bay Area Rapid Transit District ("BART") has been working on transit-oriented development ("TOD") at multiple Stations including ones located in disadvantaged communities such as Lake Merritt, and historically underserved communities such as South Berkeley, and has conducted extensive community engagement as part of these efforts; and

WHEREAS, BART has a formal relationship with the City of Berkeley ("City") to advance TOD at the North Berkeley and Ashby stations as evidenced by a Board- and Council-authorized Memorandum of Understanding dated March 6, 2020 and a Board- and Council-authorized Memorandum of Agreement dated June 30, 2022; and

WHEREAS, the Department requires that the ~~BART Board~~Berkeley City Council adopt this Resolution authorizing City of Berkeley staff to apply for funds and to partner with BART; and

WHEREAS, the Department shall approve the Request for Funds, subject to the terms and conditions of Eligibility, Guidelines, NOFAs, Program requirements, and the Standard Agreement by and between the Department and REAP 2.0 Grant Recipients.

NOW THEREFORE, BE IT RESOLVED by the Council of the City of Berkeley that the City of Berkeley is hereby authorized and directed to request an allocation of funds not to exceed **\$10,000,000**.

BE IT FURTHER RESOLVED that the City Manager or their designee is authorized to execute the Request for Funds, on behalf of the City of Berkeley as required by the Department for receipt of REAP 2.0 funds.

BE IT FURTHER RESOLVED that when the City of Berkeley receives an allocation of REAP 2.0 funds in the authorized amount of a maximum of \$10,000,000 from the Department pursuant to the above referenced Request for Funds, it represents and certifies that it will use all such funds only for eligible activities as set forth in Health and Safety Code section 50515.08(c)(1), as approved by the Department and in accordance with all REAP 2.0 requirements, guidelines, all applicable state and federal statutes, rules, regulations, and the Standard Agreement executed by and between the City of Berkeley and the Department.

BE IT FURTHER RESOLVED that the City Manager or their designee is authorized to enter into, execute, and deliver a State of California Standard Agreement for the amount of a maximum of \$10,000,000 and any and all other documents required or deemed necessary or appropriate to evidence and secure the REAP 2.0 Allocation, the City of Berkeley obligations related thereto and all amendments the Department deems necessary and in accordance with REAP 2.0.