



CONSENT CALENDAR

August 3, 2022

To: Honorable Mayor and Members of the City Council
From: Councilmember Ben Bartlett (Author), Councilmember Susan Wengraf and Councilmember Rashi Kesarwani (Co-Sponsors)
Subject: Additional Allocation of Measure P Funding to “Step Up Housing” Project

RECOMMENDATION

Adopt a resolution allocating an additional \$114,660 per year for 10 years, from Measure P transfer tax receipts to support the increased costs for the lease and operation of a new permanent supportive housing project for the unhoused at the Step-Up Housing Project at 1367 University Avenue. In addition, refer to the next meeting of the Budget and Finance Policy Committee to confirm the availability of requested funding.

BACKGROUND

California has the highest real world poverty rate of any state, 17.2% over the previous three years and much higher than the national rate.¹ A major contributing factor to the state’s high poverty indices is that many California residents spend much of their income on housing due to high construction costs.² Throughout the state, many affordable housing development projects are stalled, burdened, and have incurred higher than the median costs for development.

For example, in Alameda, CA, Everett Commons, which is a low-income development that provides housing for only 20 families, costs \$947,000 per unit.³ The notoriously high price of land and the rising cost of construction materials are contributing factors. On the other hand, the Step-Up Housing Initiative uses an efficient and cost-effective modular construction model that provides 39 individuals with not only stable housing, but a safe and supportive environment where they can access critical employment, health, substance abuse, and community resources and services. Berkeley can help address the shortage of homes and effectively alleviate the City’s homelessness crisis through this innovative and practical project.

CURRENT SITUATION

On October 13, 2020 the Council unanimously passed Resolution # 69,586-N.S. to authorize use of \$900,000 a year to fund a new 39-unit Step Up Supportive Housing project at 1367 University Ave. (See attachment.) BOSS is the operator of the facility, and Panoramic Interests/Swinerton Builders would construct and furnish it.

Since then, dramatic increases in construction prices and materials, supply chain complications and dramatic increases in interest fees have caused the project construction costs to rise more than 50%. At current rents of \$1,400 per unit per month, the project is infeasible and cannot be financed. If, however, rents can be raised to \$1,645 per month, the project can proceed. The higher rents would justify a larger construction loan to finance the additional costs.

To cover these increased rents, additional Measure P funds of \$114,660 per year are needed, beyond the \$900,000 already allocated. This is an increase of 12.7%.

A RECAP OF THE PROJECT -

The project will include 39 fully furnished studio apartments, private bathrooms for each studio, a 400-square-foot community room, a community kitchen, two offices for support staff and services, permanent on-site property management, and 24/7 security. The building will be constructed with modular units built around an approximately 615-square foot private central courtyard.

BOSS will provide services for Step-Up Supportive Housing including connecting residents to mental health resources, substance abuse recovery services, employment, education, and legal services and will accompany them to service providers when appropriate. The program will ensure participants obtain health insurance coverage and connect them to primary care providers. Opportunities for socialization and peer support will be provided through the organization of on-site support groups, learning workshops, social activities, community meals, and service visits by outside providers. BOSS will also manage an on-site food pantry in collaboration with Alameda County Community Food Bank. These services will help residents maintain stable housing, improve mental and physical health, and decrease social isolation. On-site service hours will be provided Monday-Friday, 9 am-5 pm, but the case manager or designated staff will be on-call as needed at all times.

The program will be staffed by several employees, including a program manager, housing manager, property manager, cook, maintenance worker, and overnight monitor.

REVIEW OF EXISTING POLICIES AND PLANS

Berkeley voters overwhelmingly passed Measure P in November 2018 with 72% of the vote. The Measure raised the transfer tax on property sales over \$1.5 million from 1.5% to 2%, which is expected to generate approximately \$6-8 million annually. These funds were intended to be allocated towards various homeless services, including permanent housing, supportive services, and navigation centers.

Measure P also created an independent commission, the Homeless Services Panel of Experts, to provide recommendations on funding allocations to the City Council. In December 2019, the Homeless Services Panel of Experts published its first set of recommendations for initial investments from the General Fund to address homelessness in Berkeley. The Panel's recommendations prioritized certain categories of activities and set forth a percentage of funding for each category. Permanent housing was listed as the top priority, with 30% of the funds recommended to be allocated towards such projects. The remainder was recommended to be allocated towards shelter and temporary accommodations, immediate street conditions and hygiene, supportive services, flexible housing subsidies, and infrastructure. The City Council approved on June 30, 2020, Measure P allocations for FY 2020-21 that included \$2.5 million for permanent housing subsidy.

In 2017, the City Council also referred staff to create a 1000 Person Plan, which seeks to end homelessness for 1000 people in Berkeley. In 2019, City staff responded to this referral and concluded that the Council needed to provide up-front investments in targeted homelessness prevention, light-touching housing problem-solving, rapid rehousing, and permanent subsidies. This proposal to lease and operate the StepUp Housing initiative at 1367 University would help move forward the 1000 Person Plan and accomplish the Homeless Services Panel's top priority of providing stable and permanent supportive housing for individuals experiencing homelessness.

In addition, this project also fulfills the goals of the original StepUp Housing initiative, which passed unanimously on February 14, 2017.

CONSULTATION/OUTREACH OVERVIEW

Councilmember Bartlett's office collaborated with BOSS and Panoramic Interests to ensure the long-term success of this new permanent supportive housing project, the StepUp Housing initiative. By bringing together BOSS's expertise in the field of supportive services and Panoramic's efficient modular construction model, this project can be operational and begin providing stable housing to 39 individuals within twelve months of receiving this funding commitment, resulting in dramatic savings in costs and delivery time.

BOSS was founded in Berkeley in 1971 to serve severe and persistent mentally ill homeless individuals and their families, and has since expanded to serve over 3,000 families and individuals per year across Alameda County, including persons experiencing homelessness, mental illness, former incarceration/justice system involvement, domestic or community violence, unemployment, and other crises. BOSS has 49 years of experience serving the target population, and 45 years of experience operating emergency, transitional, and permanent housing programs. Panoramic Interests has been building high density infill development projects in the Bay Area since 1990. Its work in downtown Berkeley and San Francisco includes 15 projects, adding more than 1,000 new units of housing, and 100,000 square feet of commercial space. From 1998-2004, Panoramic built seven new mixed-use apartment buildings in downtown Berkeley. During this time, Panoramic housed more than 80 Section 8 tenants, making it the largest private provider of Section 8 housing in the city.

This collaborative effort between the city, the service provider, and the developer can serve as a regional model for future permanent supportive housing projects in Berkeley and throughout the Bay Area.

RATIONALE FOR RECOMMENDATION

The City committed to funding a Step-Up Supportive Housing facility in October of 2020. The project was expected to be completed sometime in 2021-2022 but saw escalating prices, supply chain complications and rising interest rates as the final budgets were established.

The additional project costs rose by more than 50% making the project infeasible, at the original rents of \$1,400 per unit per month. (See attached documents.)

The City's additional funding commitment will enable the project to be completed as planned. It will help the homelessness crisis by allowing for the long-term and stable housing of 39 individuals experiencing homelessness as well as the provision of on-site services to help those individuals retain housing, improve their mental and physical health, connect with employment and education opportunities, and decrease social isolation. In addition, this project will serve as a regional model for other jurisdictions to consider when dealing with the homelessness crisis in their cities.

FISCAL IMPACTS

The new permanent supportive housing project, known as the Step-Up Housing at 1367 University

is requesting an additional \$114,660 per year for 10 years to cover an increase in the rental rate from \$1,400 per unit per month to \$1,645 per unit per month. The \$114,660 allocation represents a 12.74% increase from the original allocation of \$900,000 per year.

ENVIRONMENTAL SUSTAINABILITY

The project itself was determined by the Planning Department to be categorically exempt from the provisions of the California Environmental Quality Act pursuant to Section 15332 (In-Fill Development Projects) of the CEQA Guidelines.

CONTACT PERSON

Councilmember Ben Bartlett

510-981-7130

James Chang

jchang@cityofberkeley.info

ATTACHMENTS AND MATERIALS

1. Proposed Resolution
2. Letter from Donald Frazier, Exec. Dir. BOSS to Mayor Arreguin, 6-6-22
3. Budget from Swinerton Builders, June 3, 2002 showing cost increases of \$3M+.
4. Past Resolution NO. 69,586-N.S. October 13, 2020
5. Articles: “Soaring material prices, supply chain delays spook owners and developer.” Construction Dive, 4-12-21. “Mortgage rates spike to their highest level in nearly 13 years.” Washington Post, 5-5-22. Step Up Housing Council Item from February 14, 2017:
6. Additional Links
 - a. <https://www.census.gov/content/dam/Census/library/publications/2020/demo/p60-272.pdf>
 - b. <https://www.sacbee.com/article245815115.html>
 - c. <https://www.latimes.com/homeless-housing/story/2020-04-09/california-low-income-housing-expensive-apartment-coronavirus>
 - d. <https://drive.google.com/file/d/1sUgEAKJfpRaNMBAzSFdd9ajV9CA06HOe/view?usp=sharing>

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

ALLOCATING AN ADDITIONAL \$114,660 ANNUALLY FOR 10 YEARS OF MEASURE P FUNDS TO LEASE AND OPERATE THE NEW PERMANENT SUPPORTIVE HOUSING PROJECT FOR THE HOMELESS AT 1367 UNIVERSITY AVE.

WHEREAS, the City Council passed unanimously the original Step Up Housing Initiative introduced by Councilmember Bartlett, Councilmember Wengraf, Councilmember Kesarwani, and Mayor Arreguin on October 13, 2020; and

WHEREAS, Measure P was passed by Berkeley voters in November 2018 to raise the transfer tax on roughly the top-third of properties from 1.5% to 2% and allocate those funds towards various homeless services, including permanent housing, supportive services, and navigation centers; and

WHEREAS, Measure P designated the Homeless Services Panel of Experts to advise the Council on expenditures for homeless services; and

WHEREAS, in December 2019 the Homeless Services Panel of Experts published their recommendations for initial allocations under Measure P, including highlighting permanent housing as the City's top priority and recommending 30% of Measure P funds be allocated to permanent housing; and

WHEREAS, the City Council approved on June 30, 2020 Measure P allocations for FY 2020-21 that included \$2.5 million for permanent housing subsidy; and

WHEREAS, the Berkeley Zoning Adjustments Board approved the permanent supportive housing development project at 1367 University on July 9, 2020.

WHEREAS, construction costs, materials costs, and interest rates have increased dramatically in the past 18 months, making the project infeasible at the current rent of \$1,400 per unit per month

NOW THEREFORE, BE IT RESOLVED by the Council of the City of Berkeley that the following be approved for the StepUp Housing at 1367 University Ave:

- A reservation of approximately an additional \$114,660 year in ongoing funds annually for 10 years for the leasing and operation of the proposed project, with funding adjusted annually based on the Consumer Price Index for Oakland-Hayward-Berkeley, CA.
- In the event BOSS is unable to perform its function as the service provider, an alternative qualified service provider may operate the project with the review and approval of the City Manager, or her designee.
- Further, the City's commitment is contingent upon the funding of the balance of the project.

BE IT FURTHER RESOLVED that 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 the City Clerk.



June 6, 2022

Mayor Jesse Arreguin
2180 Milvia St.
Berkeley, CA 94704

Re: Permanent supportive housing at 1367 University Avenue, Resolution No. 69,586-N.S.

Dear Mayor Arreguin,

I am writing to request an additional **\$245 per unit, per month**, for our permanent supportive housing project for the homeless at 1367 University Ave.

Since the Resolution was signed in October of 2020, construction costs have skyrocketed. Our development partner has experienced a 65% increase in construction costs since we signed our master lease with them 3 years ago. Additionally, interest rates for construction loans have almost doubled. In order to keep this housing project moving ahead, we are requesting that an additional \$245/unit/month be made available to BOSS as an amendment to Resolution No. 69,586-N.S.

1. \$245/unit/month: $\$245 \times 39 \text{ units} \times 12 \text{ months} = \$114,660/\text{year}$
2. Exhibit 1: Actual construction costs are on the following page (produced by Swinerton)
 - a. 2019: Construction costs = \$5,929,731
 - b. 2022: Construction costs = \$9,860,277
3. Exhibit 2: Resolution No. 69,586-N.S. is included for your reference
4. Exhibit 3: Recent news clippings about construction costs and interest rates

Please let me know what else you need from us to make this amendment to the Resolution.

Most Respectfully,

A handwritten signature in blue ink, appearing to read 'Donald Frazier', is written over a light blue circular stamp.

Donald Frazier
Executive Director

Cc: Colleen Chawla, Alameda County Health Care Service

Exhibit 1

2022-05 1367 University Ave - GMP

1367 University Ave, Berkeley CA

Berkeley

Panoramic Development June 03, 2022



Description	Quantity	2019	2022
Division 2 - Mechanical			
2-00000 Mechanical			
2-01000 Heating, Ventilating, and Air Conditioning			
2-01100 Heating			
2-01110 Radiant Heating			
2-01120 Forced Air Heating			
2-01130 Hot Water Heating			
2-01140 Steam Heating			
2-01150 Electric Heating			
2-01160 Direct Fired Heating			
2-01170 Heat Pumps			
2-01180 Geothermal Heating			
2-01200 Cooling and Dehumidification			
2-01210 Air Conditioning			
2-01220 Evaporative Cooling			
2-01230 Free Cooling			
2-01240 Heat Recovery			
2-01250 Humidification			
2-01260 Air Filtration			
2-01270 Exhaust Air Handling			
2-01280 Energy Recovery			
2-01290 Air Pollution Control			
2-01300 Ventilation			
2-01310 Make-up Air			
2-01320 Exhaust			
2-01330 Air Intake			
2-01340 Air Distribution			
2-01350 Ductwork			
2-01360 Accessory Equipment			
2-01370 Controls			
2-01380 Piping			
2-01390 Valves			
2-01400 Miscellaneous			
2-02000 Plumbing			
2-02100 Water Supply			
2-02200 Sanitary Drainage			
2-02300 Storm Drainage			
2-02400 Gas			
2-02500 Piping			
2-02600 Valves			
2-02700 Miscellaneous			
2-03000 Electrical			
2-03100 Power			
2-03200 Lighting			
2-03300 Low Voltage			
2-03400 Telephone			
2-03500 Data			
2-03600 Fire Alarm			
2-03700 Access Control			
2-03800 Miscellaneous			
Total		\$5,929,731	\$9,860,277

Exhibit 2

RESOLUTION NO. 69,586-N.S.

ALLOCATING APPROXIMATELY \$900,000 ANNUALLY FOR 10 YEARS AND A ONE-TIME AMOUNT OF APPROXIMATELY \$32,975 OF MEASURE P FUNDS TO LEASE AND OPERATE THE NEW PERMANENT SUPPORTIVE HOUSING PROJECT FOR THE HOMELESS AT 1367 UNIVERSITY AVE.

WHEREAS, the City Council passed unanimously the original Step Up Housing Initiative introduced by Councilmember Bartlett on February 14, 2017; and

WHEREAS, Measure P was passed by Berkeley voters in November 2018 to raise the transfer tax on roughly the top-third of properties from 1.5% to 2% and allocate those funds towards various homeless services, including permanent housing, supportive services, and navigation centers; and

WHEREAS, Measure P designated the Homeless Services Panel of Experts to advise the Council on expenditures for homeless services; and

WHEREAS, in December 2019 the Homeless Services Panel of Experts published their recommendations for initial allocations under Measure P, including highlighting permanent housing as the City's top priority and recommending 30% of Measure P funds be allocated to permanent housing; and

WHEREAS, the City Council approved on June 30, 2020 Measure P allocations for FY 2020-21 that included \$2.5 million for permanent housing subsidy; and

WHEREAS, the Berkeley Zoning Adjustments Board approved the permanent supportive housing development project at 1367 University on July 9, 2020.

NOW THEREFORE, BE IT RESOLVED by the Council of the City of Berkeley that it approves the following for the project at 1367 University Ave:

- A reservation of approximately \$32,975 in Measure P funds for start-up costs associated with the project.
- A reservation of approximately \$900,000 in ongoing funds annually for 10 years for the leasing and operation of the proposed project, with funding adjusted annually based on the Consumer Price Index for Oakland-Hayward-Berkeley, CA.
- In the event BOSS is unable to perform its function as the service provider, an alternative qualified service provider may operate the project with the review and approval of the City Manager, or her designee.
- Further, the City's commitment is contingent upon the funding of the balance of the project.


BE IT FURTHER RESOLVED that 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 the City Clerk.

The foregoing Resolution was adopted by the Berkeley City Council on October 13, 2020 by the following vote:

Ayes: Bartlett, Davila, Droste, Hahn, Harrison, Kesarwani, Robinson, Wengraf, and Arreguin.

Noes: None.

Absent: None.



Jesse Arreguin, Mayor

Attest: 

Mark Numainville, City Clerk

DEEP DIVE

Soaring material prices, supply chain delays spook owners and developers

The rising cost of many materials and increased sourcing headaches have project owners rethinking their return to normalcy and threaten to derail construction's expected resurgence.

Published April 12, 2021



Joe Bousquin
Senior Reporter



The Washington Post

Mortgage rates spike to their highest level in nearly 13 years

The 30-year fixed average hasn't been this high since August 2009



By Kathy Dorn

May 5, 2022 at 10:12 a.m. EDT



PHOTO: GETTY IMAGES/ALAMY