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SUPPLEMENTAL AGENDA MATERIAL

for Supplemental Packet 1

Meeting Date: December 15, 2020

Item Number: 36

Item Description: Reserving \$2.5M in Housing Trust Funds for the Small Sites Program

Submitted by: Vice Mayor Sophie Hahn

Adds request for the City Manager to provide a status report on the Small Sites Program in six months so that Council can decide on future funding allocations, and adds Councilmember Wengraf as a co-author.



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CONSENT CALENDAR

December 15, 2020

To: Honorable Members of the City Council
From: Mayor Jesse Arreguin, Vice Mayor Sophie Hahn,
Councilmember Kate Harrison, and Councilmember Susan Wengraf
(Co-Authors)
Subject: Reserving \$2.5M in Housing Trust Funds for the Small Sites Program

RECOMMENDATION

Adopt a Resolution reserving \$2.5 million in Housing Trust Funds for the Small Sites Program, and requesting the City Manager provide a status report on the Small Sites Program in six months so that Council can decide on future funding allocations.

BACKGROUND

On February 14, 2017, in response to a December 15, 2015 referral from then-Councilmember Arreguin, the Berkeley City Council established an Affordable Housing Small Sites Program, creating a streamlined process for the allocation of Housing Trust Fund dollars to assist non-profits in acquiring existing “Small Sites” properties. The emphasis is on 5-25 unit multi-family buildings, particularly properties with strong potential for conversion to resident ownership, those in which no-fault evictions have been filed, or those at high risk of speculative purchase.¹

Funding for the Small Sites Program can be allocated from a variety of sources, including Measure U1 funds, or by using existing HTF monies for the program. In 2018, the City Council allocated \$1 million in general fund dollars (representing a portion of income from Measure U1) “to start a Small Sites Program and begin the process of supporting acquisition and rehabilitation of properties with up to 25 units.”² In 2020, the

¹ City of Berkeley Referral Response: Establishment of Affordable Housing Small Sites Program, https://www.cityofberkeley.info/Clerk/City_Council/2017/02_Feb/Documents/2017-02-14_Item_18a_Referral_Response_Establishment.aspx; Mayor Arreguin, Referral to City Manager, Small Sites Acquisition Program and Tenant Opportunity to Purchase, https://www.cityofberkeley.info/Clerk/City_Council/2017/02_Feb/Documents/2017-02-14_Item_18b_Small_Sites_Acquisition.aspx.

² Berkeley City Manager’s Companion Report and Referral Response: Creation of a Small Sites Program, https://www.cityofberkeley.info/Clerk/City_Council/2018/10_Oct/Documents/2018-10-02_Item_Gb_Companion_Report_and_Referral_Response.aspx.

Council allocated another \$1 million in general fund monies to the Program, representing a portion of monies generated through U1.

To date, Small Sites Program funds have been used for the following purposes:

- \$1,603,598 awarded to the McGee Avenue Baptist Church project of 8 units at 1638 Stuart Street
- \$50,000 granted through a competitive process to Bay Area Community Land Trust to be used for capacity building.³

Thus, there remains \$346,402 earmarked for the Small Sites Program.

This item proposes to reserve \$2.5 million of existing Housing Trust Fund monies for the Small Sites Program. Because Small Sites is a program of the Housing Trust Fund, this measure constitutes a reservation of a portion of existing HTF funds from the current HTF balance of \$6,700,000, not a formal allocation, as was the case when general fund monies were appropriated to the Small Sites Program.

Monies available through the Housing Trust Fund change over time, as new funds are deposited into the Fund from a variety of sources and funds are allocated to specific affordable projects or for other authorized HTF purposes. For example, when a new market rate development that does not include some or all of the 20% affordable units on site receives a certificate of occupancy (or, in some cases a building permit), the affordable housing fee is collected and deposited into the HTF. Thus, the reservation of a portion of the current HTF balance does not limit future HTF funds to the remainder of HTF monies available at this time.

In recent months, due in part to the Covid downturn, small multi-unit buildings are becoming available in Berkeley. At the time of this writing, the real estate website Realtor.Com shows 35 multi-unit properties on the market in Berkeley.⁴ Many of these and similar properties could be purchased by non-profit affordable housing providers and become eligible to receive funds through the Small Sites Program. Purchasing existing units and rehabilitating them as needed is significantly more cost effective than building new housing; it also prevents displacement from our neighborhoods.

In addition, on January 16, 2019, the City of Berkeley issued a Notice of Funding Availability (NOFA) announcing the availability of \$950,000 to support projects meeting the requirements of the Small Sites Program.⁵ Because the NOFA references a "2019" program, and available funds of "\$950,000," a new or amended NOFA may need to be

³ https://www.cityofberkeley.info/Clerk/City_Council/2018/10_Oct/Documents/2018-10-16_Item_05_Approving_Small_Sites_Program.aspx

⁴ https://www.realtor.com/realestateandhomes-search/Berkeley_CA/type-multi-family-home

⁵ City of Berkeley, Small Sites Program, 2019 Notice of Funding Availability, https://www.cityofberkeley.info/uploadedFiles/Housing/Level_3_-_General/01-FINAL%20SSP%20NOFA%20Application%20and%20Exhibits.pdf.

issued by the City Manager, if and when the requested \$2.5 million in Housing Trust Fund dollars is reserved for the Small Sites Program.

Any project applying for Small Sites funding must comply with Small Sites Program requirements.⁶ Applications will be reviewed on a case-by-case basis, and can be approved by the HHCS Director if they are consistent with the Small Sites Program's purpose, project feasibility, sustainable housing operations and other requirements. Full details of the Small Sites Program are provided in the *Small Sites Program, 2019 Notice of Funding Availability*.⁷

FISCAL IMPACTS

\$2.5 million of the \$6.7 million currently available in the Housing Trust Fund will be reserved for a program of the Housing Trust Fund.

CONTACT INFORMATION

Mayor Jesse Arreguin, 510-981-7100
Vice Mayor Sophie Hahn, Council District 5, 510-682-5905 (cell)

ATTACHMENTS

1. Resolution

⁶ City of Berkeley, Small Sites Program, 2019 Notice of Funding Availability, https://www.cityofberkeley.info/uploadedFiles/Housing/Level_3_-_General/01-FINAL%20SSP%20NOFA%20Application%20and%20Exhibits.pdf.

⁷ City of Berkeley, Small Sites Program, 2019 Notice of Funding Availability, https://www.cityofberkeley.info/uploadedFiles/Housing/Level_3_-_General/01-FINAL%20SSP%20NOFA%20Application%20and%20Exhibits.pdf.

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

RESERVATION OF \$2.5 MILLION IN
HOUSING TRUST FUNDS FOR THE SMALL SITES PROGRAM

WHEREAS, the City Council established a Housing Trust Fund Program (HTF) “to pool monies from different sources to help achieve the City’s General Plan and Consolidated Plan goals of developing and preserving long-term below market rate housing for low, very low, and extremely-low income households in order to maintain and enhance the ethnic and economic diversity of the City”; and

WHEREAS, the HTF currently has funds of approximately \$6.7 million available; and

WHEREAS, monies available through the Housing Trust Fund change over time, as new funds are deposited into the Fund from a variety of sources and funds are allocated to affordable projects or for other authorized HTF purposes; and

WHEREAS, reservation of a portion of the current HTF balance does not limit future HTF funds to the remainder of HTF monies available at this time; and

WHEREAS, the City Council established a Small Sites Program (SSP), a program of the HTF, for the acquisition and rehabilitation of small, multifamily rental housing properties with up to 25 units, supporting the conversion of vacant or rent-controlled properties to affordable housing with 55-year regulatory agreements, ensuring long-term affordability for current and future residents; and

WHEREAS, the SSP has established program requirements related to eligibility, project funding, scope of renovation, project proformas and budget, affordability, existing tenants, rental assistance vouchers, and developer requirements; and

WHEREAS, in the current COVID-19 economic downturn, small multi-unit properties in Berkeley have come onto the market, whose purchase could be financed through the SSP; and

WHEREAS, the SSP allows for existing housing to be preserved or converted to affordable housing more quickly, and often at a lower cost, than new-build Affordable Housing; and

WHEREAS, for potential applications to the SSP to be viable, the City should reserve a reasonable amount of funds to the program;

NOW THEREFORE, BE IT RESOLVED by the Council of the City of Berkeley that \$2,500,000 of Housing Trust Fund’s current funds is hereby reserved for the Small Sites Program; and

BE IT FURTHER RESOLVED that these funds shall be reserved for a period of at least six (6) months from the date of this Resolution; and

BE IT FURTHER RESOLVED that six (6) months from the date of this Resolution the City Manager shall provide a report to Council on the status of the Small Sites Program, at which time Council may consider potential adjustments.

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