



Darryl Moore
Councilmember District 2

CONSENT CALENDAR
April 7th, 2015

To: Honorable Mayor and Members of the City Council
From: Councilmember Moore, District 2
Subject: Request for Forgiveness of California Department of Housing and Community Development Loan to the Berkeley Housing Authority

RECOMMENDATION

Adopt a Resolution requesting the California Department of Housing and Community Development (HCD) to forgive a loan in the amount of \$763,689 made to Berkeley Housing Authority (BHA) in 1982 to help fund construction of 14 units of 3- and 4-bedroom units for low and extremely-low income households. The City Clerk shall send a letter to Governor Jerry Brown, with copies to the Director of the HCD, Claudia Cappio; the Chair of the Berkeley Housing Authority Board of Commissioners, Carole Norris; Berkeley Mayor Tom Bates and Senator Loni Hancock.

BACKGROUND

The California Department of Housing and Community Development (HCD) issued a \$763,689 loan to Berkeley Housing Authority (BHA) in 1982 to help fund construction of 14 units of 3- and 4-bedroom units for low and extremely-low income households in the City of Berkeley under what was then the Rental Housing Construction Program (now referred to as RHCP 1).

In 2010 BHA conceived of a plan to modernize the 14- RHCP funded units as part of a larger comprehensive plan to revitalize 61 large family Public Housing units. The 75 unit project was consummated in February 2014 with transfer to a new housing provider who has agreed to maintain the permanent affordability of the units for households at or below 50% of area median income. With no additional funding from HCD, the 14-units received a comprehensive rehabilitation, estimated at \$100,000 per unit. Families that were then *empty nesters* in the large 3- and 4-bedroom units were issued Section 8 Vouchers allowing them to transfer to an appropriate size rental unit, while maintaining an affordable rent (30% of adjusted monthly income), and all 14 units now house appropriately sized, extremely-low income households (30% AMI).

The loan matured and became due August 13, 2014. These “loans” are rarely repaid, as HCD extends – so that the units can remain in service beyond the initial 30 year

period, housing low- and extremely-low income households at affordable monthly rents, however, HCD has requested that BHA repay the \$763,689 from proceeds derived from the transfer of the units. BHA needs these funds to cover short-falls in the Housing Choice Voucher Program where it serves approximately 2,000 extremely-low income households, including those now occupying the 14-RHCP funded units.

BHA and HCD are two agencies committed to affordable housing for extremely-low income households. BHA could have sold the 14-units for “market housing” at market value of approximately \$2.9 million (with no affordability restrictions), repaid HCD, and retained the excess as income. However, the 14- large family affordable rental units would have been lost. Instead, without any additional cash from HCD, BHA acted in a manner that revitalized the units, and ensured that they will remain affordable rental units for a minimum of 77 (current ground lease term) to 99 years.

Although the scattered site project never had an on-site property manager, at the insistence of HCD, BHA reduced the number of units by one to provide a unit for an on-site property manager.

BHA worked with HCD throughout the project, responding fully and competently to all requests, and acted upon the implied approval to leave the funds in the project. Unfortunately, there was no formal letter affirming that, subject to BHA’s compliance with the various requests of HCD, that the loan would remain in the project. BHA has worked with HCD and proposes that the loan remain with the units, be extended through the term of the new regulatory agreement (requiring that they remain affordable rentals for 99 years), and the funds, now held in escrow, be released to BHA.

Preservation of a Berkeley Housing Authority, administering 2,000 Housing Choice Vouchers, and providing supportive services to help these households achieve financial self-sufficiency is critical in a city like Berkeley where the cost of housing is extremely high, and the supply of affordable rental units is scarce and dwindling.

A sum of \$763,689 in the context of HCD’s budget is insignificant. However, in the context of BHA’s budget – it represents funding to cover approximately two years of operating deficits.

The Berkeley Housing Authority Executive Director, Tia Ingram, has been working with Senator Loni Hancock, among a number of other local elected officials, to encourage the California Department of Housing and Community Development to forgo repayment of the loan to help the Berkeley Housing Authority to preserve affordable housing in our community.

FISCAL IMPACT

None for the City of Berkeley’s General Fund. However, if the loan is forgiven, the Berkeley Housing Authority would see a benefit of \$763,689.

CONTACT PERSON

Darryl Moore, Councilmember, District 2, 510 981-7120

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

REQUEST FORGIVENESS OF CALIFORNIA DEPARTMENT OF HOUSING AND
COMMUNITY DEVELOPMENT LOAN TO THE BERKELEY HOUSING AUTHORITY

WHEREAS, the California Department of Housing and Community Development (HCD) issued a \$763,689 loan to Berkeley Housing Authority (BHA) in 1982 to help fund construction of 14 units of 3- and 4-bedroom units for low and extremely-low income households in the City of Berkeley under what was then the Rental Housing Construction Program (now referred to as RHCP 1); and

WHEREAS, in 2010 BHA conceived of a plan to modernize the 14- RHCP funded units as part of a larger comprehensive plan to revitalize 61 large family Public Housing units; and

WHEREAS, the 75 unit project was consummated in February 2014 with transfer to a new housing provider who has agreed to maintain the permanent affordability of the units for households at or below 50% of area median income; and

WHEREAS, with no additional funding from HCD, the 14-units received a comprehensive rehabilitation, estimated at \$100,000 per unit; and

WHEREAS, families that were then *empty nesters* in the large 3- and 4-bedroom units were issued Section 8 Vouchers allowing them to transfer to an appropriate size rental unit, while maintaining an affordable rent (30% of adjusted monthly income), and all 14 units now house appropriately sized, extremely-low income households (30% AMI); and

WHEREAS, the loan matured and became due August 13, 2014, but these “loans” are rarely repaid, as HCD extends – so that the units can remain in service beyond the initial 30 year period, housing low- and extremely-low income households at affordable monthly rents; and

WHEREAS, the HCD has requested that BHA repay the \$763,689 from proceeds derived from the transfer of the units. BHA needs these funds to cover short-falls in the Housing Choice Voucher Program where it serves approximately 2,000 extremely-low income households, including those now occupying the 14-RHCP funded units; and

WHEREAS, BHA and HCD are two agencies committed to affordable housing for extremely-low income households; and

WHEREAS, BHA could have sold the 14-units for “market housing” at market value of approximately \$2.9 million (with no affordability restrictions), repaid HCD, and retained the excess as income; and

WHEREAS, if these units were sold at market value, the 14- large family affordable rental units would have been lost; and

WHEREAS, without any additional cash from HCD, BHA acted in a manner that revitalized the units, and ensured that they will remain affordable rental units for a minimum of 77 (current ground lease term) to 99 years; and

WHEREAS, BHA has worked with HCD and proposes that the loan remain with the units, be extended through the term of the new regulatory agreement (requiring that they remain affordable rentals for 99 years), and the funds, now held in escrow, be released to BHA; and

WHEREAS, preservation of a Berkeley Housing Authority, administering 2,000 Housing Choice Vouchers, and providing supportive services to help these households achieve financial self-sufficiency is critical in a city like Berkeley where the cost of housing is extremely high, and the supply of affordable rental units is scarce and dwindling; and

WHEREAS, a sum of \$763,689 in the context of HCD's budget is insignificant, however, in the context of BHA's budget – it represents funding to cover approximately two years of operating deficits.

NOW THEREFORE BE IT RESOLVED by the Council of the City of Berkeley that the Council urges the California Department of Housing and Community Development to forgo repayment of the \$763,689 loan made to the Berkeley Housing Authority (BHA) in 1982. Such a loan forgiveness would help ensure that the Berkeley Housing Authority can continue to preserve affordable housing for the Berkeley community.

April 7, 2015

The Honorable Governor Jerry Brown
State Capitol, Suite 1173
Sacramento, CA 95814

Re: Berkeley Housing Authority

Honorable Governor Jerry Brown:

We request your assistance in a matter pending before California Department of Housing and Community Development (HCD). The issue is a \$763,689 loan HCD made to the Berkeley Housing Authority (BHA) in 1982 to help fund construction of 14 units of 3- and 4-bedroom units for low and extremely-low income households in the City of Berkeley under what was then the Rental Housing Construction Program (now referred to as RHCP 1).

The loan matured and became due August 13, 2014. As you probably are aware, these *loans* are rarely repaid, as HCD extends, so that the units can remain in service beyond the initial 30 year period, to house low- and extremely-low income households at affordable monthly rents.

Background

In 2010 BHA conceived of a plan to modernize the 14- RHCP funded units as part of a larger comprehensive plan to revitalize 61 large family Public Housing units simultaneously, under HUD's disposition process. The 75 unit project was consummated in February 2014 with transfer to a new housing provider who has agreed to maintain the permanent affordability of the units for households at or below 50% of area median income. With no additional funding from HCD, the 14-units received a comprehensive rehabilitation, estimated at \$100,000 per unit. Families that were then *empty nesters* in the large 3- and 4-bedroom units were issued Section 8 Vouchers allowing them to transfer to an appropriately size rental unit, while maintaining an affordable rent (30% of adjusted monthly income), and all 14 units now house appropriately sized, extremely-low and low-income households (30% - 50% AMI).

Issue

HCD has requested that BHA repay the \$763,689 from proceeds derived by the transfer of the units. BHA needs these funds to cover short-falls in the Housing Choice Voucher Program where it serves approximately 2,000 extremely-low and low-income households, including those now occupying the then-14 RHCP funded units.

BHA and HCD are two agencies committed to affordable housing for extremely-low income households. BHA could have sold the 14-units for "market rate housing" at market value of approximately \$2.9 million (with no affordability restrictions), repaid HCD, and retained the excess as income. However, the 14- large family affordable rental units would have been lost. Instead, without any additional cash from HCD, BHA

acted in a manner that revitalized the units, and ensured that they will remain affordable rental units for a minimum of 77 (current ground lease term) to 99 years.

Although the scattered site project never had an on-site property manager, at the insistence of HCD, BHA reduced the number of units by one to provide a unit for an on-site property manager.

BHA worked with HCD throughout the project, responding fully and competently to all requests, and acted upon the *implied* approval to leave the funds in the project. Unfortunately, the Berkeley Housing Authority did not receive a formal letter affirming that, subject to BHA's compliance with the various requests of HCD, the loan would remain in the project. BHA has worked with HCD and proposes that the loan remain with the units, be extended through the term of the new regulatory agreement (requiring that they remain affordable rentals for 99 years), and the funds, now held in escrow, be released to BHA.

Conclusion

Preservation of a Berkeley Housing Authority, administering 2,000 Housing Choice Vouchers, and providing supportive services to help these households achieve financial self-sufficiency is critical in a city like Berkeley, where the cost of housing is extremely high, and the supply of affordable rental units is scarce and dwindling.

A sum of \$763,689 in the context of HCD's budget is relatively insignificant. However, in the context of BHA's budget – it represents funding to cover approximately two years of operating shortfalls.

We applaud BHA for its efforts to preserve the 14-units of large family rental units, and encourage your support of this reasonable request to forego repayment of the loan, release the funds to BHA, and support the preservation of Berkeley Housing Authority.

Sincerely,

The Berkeley City Council

cc: Claudia Cappio, Director of the California Dept of Housing and Community Development
The Honorable Mayor Tom Bates, City of Berkeley
The Honorable Senator Loni Hancock
Graciela Castillo-Krings - Deputy Legislative Secretary, Office of Governor Brown
Camille Wagner - Legislative Affairs Secretary, Office of Governor Brown
Nancy McFadden - Executive Secretary, Office of Governor Brown