



Office of the City Manager

CONSENT CALENDAR
June 13, 2017

To: Honorable Mayor and Members of the City Council
From: Dee Williams-Ridley, City Manager
Submitted by: Paul Buddenhagen, Director, Health, Housing & Community Services
Subject: Prioritizing BRIDGE's Berkeley Way Project for Housing Trust Fund and Alameda County A1 Funds and Authorizing Issuance of a Request for Proposals

RECOMMENDATION

1. Adopt a Resolution:
 - a. Identifying BRIDGE Housing Corporation and Berkeley Food and Housing Project's (BFHP) Berkeley Way project as the City's first priority for Alameda County A1 (from the Berkeley set-aside and North County pool);
 - b. Authorizing the City Manager to submit the Berkeley Way project to Alameda County for funding through the Berkeley set-aside of A1 funds;
 - c. Identifying Berkeley Way as the City's first priority for City Housing Trust Funds once funding recommendations for up to three projects currently under review are considered;
 - d. Waiving Sections VI.A and VI.B of the Housing Trust Fund guidelines regarding competitive process for Berkeley Way; and
 - e. Directing the City Manager to continue to work with BRIDGE, BFHP, and the Housing Advisory Commission to identify an effective funding strategy for Berkeley Way.
2. Direct the City Manager to release a Request for Proposals for affordable housing development projects with the goals of maximizing the City's access to the competitive North County regional pool of A1 funds and identifying projects for the City to collaborate with for the State's new No Place Like Home program, and waive Section VI.B.e of the HTF guidelines for this RFP process.

FISCAL IMPACTS OF RECOMMENDATION

Alameda County A1 funds are administered by the County for affordable housing development projects. Conducting the RFP in accordance with applicable federal and local procurement requirements and the HTF guidelines will require substantial efforts from housing staff between now and October. No City funds will be committed by approving this recommendation. Under the HTF guidelines, the City Manager can approve predevelopment loans of up to \$50,000. All other loans must be approved by Council.

CURRENT SITUATION AND ITS EFFECTS

The Housing Advisory Commission will review this proposal at its June 1 meeting and any action taken will be provided as a supplemental communication.

BRIDGE and BFHP's proposal for Berkeley Way originally included 89 affordable apartments, 30 permanent supportive housing units, 60 temporary/shelter beds, homeless services space, and one level of public parking. As of March 2017, the proposed budget totaled \$86M for the residential uses, with \$8.9M proposed from A1 and \$23M proposed from the City. In May, BRIDGE and BFHP provided information about a revised project: removing service and office space, decreasing the number of shelter/temporary beds by 12, increasing the number of permanent support housing units, and significantly increasing the amount of proposed Alameda County A1 funds. The increase in proposed A1 funds was based on two factors: learning that the temporary beds will likely be eligible for A1 funds and BRIDGE/BFHP speaking with other jurisdictions about using their set-aside funds. In this revision, the proposed gap for City funds was reduced to \$13M, still more than three times the Housing Trust Fund balance.

BRIDGE and BFHP are working with staff on the project plans and identifying the scope that best meets local needs and is financially feasible.

Staff recommend releasing an RFP now to position local affordable housing development projects to compete for the North County pool of Alameda County A1 funds. Berkeley rental housing development projects are eligible for two parts of A1:

1. City-specific funds dedicated to Berkeley: \$15,796,369
2. North County competitive pool: \$89 million

The County expects the City to identify priority projects for the Berkeley A1 set-aside. The Council already committed \$691,394 of the City's A1 funds to Grayson Street Apartments on February 28, 2017 with Resolution 67,844-N.S., through a process the County offered as an emergency response to a drop in low income housing tax credit pricing. Berkeley can refer selected applications for the remaining \$15.1 million Berkeley set-aside as soon as mid-September.

The North County regional pool is an opportunity to secure additional funds for local housing needs. County staff are currently developing guidelines, and expect to accept applications for the regional pools starting in December 2017. Oakland and Emeryville evidently both have substantial pipelines of development projects prepared to compete for North County regional pool funds. Alameda County is likely to require projects to receive an award of city-specific funds before they are eligible to compete for regional funds. Since draft guidelines have not been released as of this writing, many questions about eligibility and the process are still outstanding. Staff will try to find a strategy to ensure full funding of Berkeley Way and allow other projects to compete in the regional pool.

In addition, the City currently has about \$3.6 million in the Housing Trust Fund, primarily mitigation fee revenues from two projects. Staff are currently evaluating three funding requests totaling close to \$800,000 and expect to bring recommendations to Council in July:

1. Northern California Land Trust (NCLT)'s application for funds to rehabilitate two properties. NCLT originally applied in the 2015 RFP round and the proposal needed more analysis before funds were committed. Council directed staff to work with NCLT, and the City made a 2016 predevelopment loan in preparation for this request.
2. Satellite Affordable Housing Associates request for additional funds for Harper Crossing due to construction delays associated with the heavy rains this winter.
3. Bay Area Community Land Trust's application for predevelopment funds to support the rehabilitation of a vacant building owned by McGee Avenue Baptist Church.

Berkeley Way and other Berkeley housing development projects will also be eligible to apply for the State's new No Place Like Home (NPLH) program, funded through the Mental Health Services Act, for housing for people with mental illness. The program and application requirements will not be finalized until later this year. The State will probably require projects to include the City and/or Alameda County as co-applicant(s) with the developer and require the City and/or County to make certain related commitments about participating in the program and providing mental health services. Staff will work with BRIDGE to explore the compatibility between the project and this new program, and include questions about interest in NPLH in the RFP.

BACKGROUND

City Council initiated the Berkeley Way project with a referral to staff and the Homeless and Housing Advisory Commissions in 2013. In 2014, the Council selected BRIDGE Housing, Berkeley Food and Housing Project, and their architects, Leddy Maytum Stacy Architects, as the most qualified team to fulfill the City's objectives through a competitive Request for Qualifications process. Since this project was selected through that competitive process, staff recommend the Council waive the application process requirements of the Housing Trust Fund. Staff will still carefully evaluate the project and work with the Housing Advisory Commission before returning with a Housing Trust Fund funding recommendation.

Staff also recommend that Council waive the requirement in the Housing Trust Fund to mail notices to all neighbors within a 300 foot radius of the property perimeter and post a public hearing notice adjacent to the site. All projects that will need an administrative use permit, including all new construction projects, must do similar public noticing in the entitlements process.

HOME's stringent timing requirements combined with dwindling funds have made it difficult to administer, and the program has again been proposed for elimination. HOME has strict rules that make it very difficult to pool multiple years of HOME allocations into

a larger loan or to support limited-scope rehabilitation work with a smaller loan, practices the City used before a 2013 regulatory change. Managing the limited HOME funds for projects that, for legitimate reasons, take multiple years to pull together will be an ongoing challenge. HUD has suggested that the City use its HOME funds for tenant-based rental assistance instead of housing development because of these challenges. However, paying tenant rents with funds proposed for elimination has risks as well. If available, HOME funds could be awarded through the proposed RFP.

ENVIRONMENTAL SUSTAINABILITY

There are no environmental effects directly associated with this recommendation.

RATIONALE FOR RECOMMENDATION

Using a single process to identify affordable housing development projects for the HTF, A1, and No Place Like Home is the most efficient use of staff, Commissioner, and applicant efforts.

ALTERNATIVE ACTIONS CONSIDERED

The City could wait for the County's A1 and the State's NPLH guidelines to be finalized before taking action or submit only Berkeley Way for A1 funds. That approach runs the risk of letting other cities' projects obtain all the North County regional pool funds before Berkeley projects can apply. However, it is possible that the City will not have enough funds in the Housing Trust Fund to support more than one project at a time anyway. Identifying Berkeley Way as the City's first priority and soliciting other applications will allow affordable housing developers to make better informed decisions about possible projects.

CONTACT PERSON

Amy Davidson, Senior Community Development Project Coordinator, Health, Housing & Community Services, (510) 981-5400

Attachments:

1. Resolution

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

PRIORITIZING BRIDGE'S BERKELEY WAY PROJECT FOR HOUSING TRUST FUND
AND ALAMEDA COUNTY A1 FUNDS

WHEREAS, on September 10, 2013, Council directed staff to develop a Request for Proposals for the disposition of the City-owned surface parking lot at 2012 Berkeley Way and the development of an emergency shelter, services space, affordable housing, permanent supportive housing, and public parking; and

WHEREAS, on September 9, 2014, Council selected BRIDGE Housing, the Berkeley Food and Housing Project (BFHP), and their architects Leddy Maytum Stacy Architects (LMSA) as the most qualified development team to carry out the project via a Request for Qualifications; and

WHEREAS, on May 31, 2016: the City Council approved a Disposition and Development Agreement with BRIDGE Housing for the site, establishing conditions for working together and for the eventual long-term lease of the site; and

WHEREAS, Alameda County voters approved the A1 bond for affordable housing, and the City can select projects for \$15.7 million in A1 funds set aside for Berkeley projects, subject to matching City funding requirements that have not been finalized; and

WHEREAS, Berkeley development projects can compete for additional A1 funds in the North County competitive pool subject to certain requirements that have not yet been finalized; and

WHEREAS, when completed, Berkeley Way will help end homelessness and meet critical local affordable housing needs.

NOW THEREFORE, BE IT RESOLVED by the Council of the City of Berkeley that BRIDGE Housing Corporation and the Berkeley Food and Housing Project's Berkeley Way project is the City's first priority for funding with Alameda County's A1 funds.

BE IT FURTHER RESOLVED that Berkeley Way will be the first priority for Housing Trust Funds once funding for three current proposals is considered in July 2017.

BE IT FURTHER RESOLVED that the City Manager is authorized to submit Berkeley Way to Alameda County as the City's first priority project to fund with Berkeley's set aside A1 funds.

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.

BE IT FURTHER RESOLVED that the City Council waives Section VI.A. and VI.B of the City's Housing Trust Fund guidelines for the Berkeley Way project, and directs the City Manager to work directly with BRIDGE Housing Corporation and the Housing Advisory Commission to develop a feasible funding strategy for Berkeley Way, including a Housing Trust Fund funding recommendation.

BE IT FURTHER RESOLVED that the City Council waives Section VI.B.e of the Housing Trust Fund guidelines and directs the City Manager to release a Request for Proposals for Housing Trust Fund and Berkeley's set-aside of Alameda County A1 funds.