



Office of the City Manager

ACTION CALENDAR
June 27, 2017

To: Honorable Mayor and Members of the City Council
 From: Dee Williams-Ridley, City Manager
 Submitted by: Jovan Grogan, Deputy City Manager
 Subject: Companion Report: Use of U1 Funds for Property Acquisition at 1001, 1007, and 1011 University Avenue and 1925 Ninth Street, Berkeley

RECOMMENDATION

Accept staff's recommendation to use \$4,730,815 of Measure U1 revenue over a 5-year period (\$946,163 annually) to repay the Workers' Compensation Fund for the acquisition of the properties located at 1001, 1007, and 1011 University Avenue and 1925 Ninth Street, Berkeley.

FINANCIAL IMPLICATIONS

The City Council's direction on this item will provide guidance for staff to incorporate repayment to the Workers' Compensation Fund from Measure U1 revenue in the first amendment of the Annual Appropriation Ordinance for FY 2017-18. This is scheduled to be placed before the City Council in November 2017. Staffs' recommended repayment to the Workers' Compensation Fund from General Fund Excess Property Transfer Tax is included in the proposed budget that is anticipated to be adopted on June 27, 2017.

CURRENT SITUATION AND ITS EFFECTS

The Housing Advisory Commission's (HAC) review of the repayment plan is linked to the fact that staffs' proposed repayment schedule includes Measure U1 funds as well as the fact that Measure U1 directs the Commission to make recommendations on funding and programs to increase affordable housing and protect Berkeley residents from homelessness.

Staff disagrees with HAC's recommendation that the City not use Measure U1 funds to repay the Workers' Compensation Fund for the acquisition of the properties located at 1001, 1007, and 1011 University Avenue, and 1925 Ninth Street, City of Berkeley. The City's primary interest in the properties focused on the site's long-term potential to be redeveloped into substantially below market rate housing. The site's location on the well-established University Avenue transit corridor, and its proximity to multiple neighborhood business districts, medical services and schools make the site ideal for below market rate housing for a diverse population. In addition, staff believes that the

Companion Report: Use of U1 Funds for Property Acquisition at 1001, 1007, and 1011 University Avenue and 1925 Ninth Street, Berkeley

ACTION CALENDAR
June 27, 2017

potential interim uses for existing buildings, while plans to repurpose the site for affordable housing are developed, do not conflict with using Measure U1/General Fund money to repay the Workers' Compensation Fund for the acquisition of the properties.

As presented to the City Council on March 28, staff proposes a 5-year payback of funds to the Workers' Compensation Fund 875 with interest¹. The proposal utilizes \$2 million (30% of the purchase price) from General Fund excess Property Transfer Tax and \$4.650 million (70% of the purchase price) from Measure U1 revenue (the recent voter-approved increase in business license tax on rental buildings of five or more units).

Proposed 5-Year Repayment Schedule

Summary of Proposed Funds for Repayment

Total Purchase Price: \$6,650,000

| Repayment Source | Principal Repayment Amount | Percent of Purchase Price |
|---|----------------------------|---------------------------|
| General Fund Excess Property Transfer Tax | \$ 2,000,000 | 30% |
| Measure U1 Business Tax Revenue | \$ 4,650,000 | 70% |

Annual Repayment Amounts by Source (with interest)

Total Repayment Amount: \$6,765,575

| Repayment Source | General Fund Excess Property Transfer Tax* | Measure U1 Business Tax Revenue** |
|------------------|--|-----------------------------------|
| FY 2017-18 | 406,952 | 946,163 |
| FY 2018-19 | 406,952 | 946,163 |
| FY 2019-20 | 406,952 | 946,163 |
| FY 2020-21 | 406,952 | 946,163 |
| FY 2021-22 | 406,952 | 946,163 |
| Total | \$2,034,760 | \$4,730,815 |

* Total General Fund excess Property Transfer Tax has average \$5.8 over the last two years.

** Total Measure U1 Business Tax revenue is estimated at \$3 million annually.

BACKGROUND

On March 28, 2017, the City Council authorized the acquisition of real property at 1001, 1007, and 1011 University Avenue, and 1925 Ninth Street (APNs 057-208901401, 057-208901201, and 057-208901500) for \$6,650,000. At that time, the City Council also authorized the entire purchase price to be paid from the Workers' Compensation Fund 875 and directed staff to submit its proposed repayment plan to the Housing Advisory Commission (HAC) for review and return to the City Council for direction on the final repayment schedule at a future date.

More information on the property and the acquisition can be found in the staff report that was presented to the City Council on March 28, 2017 (Item 32, titled "Acquisition of

¹ Staff uses the State of California Local Agency Investment Fund (LAIF) rate for the loan repayment. Current LAIF rates are 0.68%.

Companion Report: Use of U1 Funds for Property Acquisition at 1001, 1007, and 1011 University Avenue and 1925 Ninth Street, Berkeley

ACTION CALENDAR
June 27, 2017

Real Property at 1001 University Avenue, 1007 University Avenue, 1011 University Avenue, and 1925 Ninth Street”).²

ENVIRONMENTAL SUSTAINABILITY

The recommendation(s) in this report have no specific environmentally sustainability effects.

ALTERNATIVE ACTIONS CONSIDERED

Staff recognizes that the City Council may want a longer repayment plan for Measure U1 funds to maintain greater flexibility to allocate Measure U1 revenue to other efforts that impact the City’s affordable housing crisis. Should the Council consider doing this, staff recommends that the City Council consider a maximum of a 7-year or 10-year repayment cycle for the Measure U1 funds. These alternative repayment schedules are shown below.

Alternative 1: 7-Year Repayment Schedule

Annual Repayment Amounts by Source (with interest)

Total Purchase Price: \$6,650,000

Total Repayment Amount: \$6,797,623

| Repayment Source | General Fund Excess Property Transfer Tax | Measure U1 Business Tax Revenue |
|------------------|---|---------------------------------|
| FY 2017-18 | 406,952 | 680,409 |
| FY 2018-19 | 406,952 | 680,409 |
| FY 2019-20 | 406,952 | 680,409 |
| FY 2020-21 | 406,952 | 680,409 |
| FY 2021-22 | 406,952 | 680,409 |
| FY 2022-23 | | 680,409 |
| FY 2023-24 | | 680,409 |
| Total | \$2,034,760 | \$4,762,863 |

² http://www.ci.berkeley.ca.us/Clerk/City_Council/2017/03_Mar/City_Council_03-28-2017_-_Regular_Meeting_Agenda.aspx

Companion Report: Use of U1 Funds for Property Acquisition at 1001, 1007, and 1011 University Avenue and 1925 Ninth Street, Berkeley

ACTION CALENDAR
June 27, 2017

Alternative 2: 10-Year Repayment Schedule

Annual Repayment Amounts by Source (with interest)

Total Purchase Price: \$6,650,000

Total Repayment Amount: \$6,845,970

| Repayment Source | General Fund Excess Property Transfer Tax | Measure U1 Business Tax Revenue |
|------------------|---|---------------------------------|
| FY 2017-18 | 406,952 | 481,121 |
| FY 2018-19 | 406,952 | 481,121 |
| FY 2019-20 | 406,952 | 481,121 |
| FY 2020-21 | 406,952 | 481,121 |
| FY 2021-22 | 406,952 | 481,121 |
| FY 2022-23 | | 481,121 |
| FY 2023-24 | | 481,121 |
| FY 2024-25 | | 481,121 |
| FY 2025-26 | | 481,121 |
| FY 2026-27 | | 481,121 |
| Total | \$2,034,760 | \$ 4,811,210 |

CONTACT PERSON

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