



Office of the City Manager

ACTION CALENDAR

January 30, 2018

(Continued from December 19, 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: Berkeley Way Housing Development Update

INTRODUCTION

Staff continue to meet regularly with the BRIDGE Housing Corporation and the Berkeley Food and Housing Project (BFHP), as well as internally, to identify a feasible plan for the development and operation of a public parking garage, affordable housing, permanent supportive housing, and homeless shelter space at 2012 Berkeley Way, currently a City-owned surface parking lot. This report summarizes current issues and work to date.

CURRENT SITUATION AND ITS EFFECTS

At its May 30, 2017 meeting, Council directed staff to prioritize the proposed Berkeley Way development project so that BRIDGE could submit an application to the State of California Affordable Housing and Sustainable Communities (AHSC) program in the next funding round, now scheduled for January 2018. BRIDGE and staff worked together closely to review the design and financing, and to plan an expedited permitting timeline. By September, staff and BRIDGE concluded that the January 2018 AHSC funding round would not be feasible due to unresolved design, financing, and permitting issues, and laid out a plan to work toward the next funding round. HHCS, Public Works, Planning, Fire, and the Deputy City Manager are in regular communication to move the project forward.

As of August 2017, BRIDGE projected a gap of \$12M to \$17M for the development's residential components that they would request the City lend to the development from the Housing Trust Fund. Since this is far more funding than is currently available or anticipated to be available in the next two years, the City would likely need to issue Certificates of Participation, a form of municipal borrowing, to fund the project. On this more extended timeline, additional funds not currently included in the development budget—including California Infill Infrastructure Grants (IIG), California No Place Like Home, and Alameda County A1 North County pool funds—may be available for Berkeley Way, reducing the funding gap for the City to fill. Changes to the project or construction pricing will also affect the final funding request.

The surface parking lot currently generates about \$800,000 in revenue annually that goes in to the City's Parking Fund. Those funds are then applied to operating parking throughout the City and to financing the new Center Street Garage. After BRIDGE obtained updated pricing and Public Works evaluated the budget, staff concluded that the single level of parking proposed by BRIDGE would not generate enough revenue to support its own development or the parking fund, or even to operate sustainably. Staff are working with BRIDGE to refine the parking garage proposal to identify a feasible project. Staff are also pursuing parking mitigation funds owed the City by Berkeley Community College dating from the development of its facility that could potentially support the development, although they may be needed for other City priorities, such as completion of the Center Street Garage.

The City and BRIDGE entered into a predevelopment loan agreement in April 2017 for \$835,897. As of this writing in early November 2017, BRIDGE had drawn all but about \$100,000 for project expenses. In July 2017, Council authorized another \$3,131,651 in predevelopment funding, for a total commitment of nearly \$4M. Staff anticipate executing that loan amendment in November. Since the City owns the Berkeley Way site, the security for the predevelopment loan is the work products purchased with loan funds, such as architectural drawings, geotechnical reports, and traffic studies.

BACKGROUND

Under the current guidelines, to apply for AHSC the project will need its Use Permit, completed environmental reviews with the appeal periods elapsed, linked infrastructure projects to be funded with AHSC grant proceeds, and commitments for all of its funding with the exception of the proposed AHSC funds and low income housing tax credits. AHSC provides funding for and requires the completion of linked infrastructure improvements such as bike, pedestrian, and street greening improvements delivered by the City. Assembling all of these pieces by the next funding deadline will still require a year of concentrated effort from BRIDGE, BFHP, and multiple City departments, particularly Public Works, Planning, and HHCS.

BRIDGE and BHFP were originally selected as the development team for this site via a competitive process in 2014. The City entered into a Disposition and Development Agreement with BRIDGE for the site in June 2016.

ENVIRONMENTAL SUSTAINABILITY

There are no direct environmental effects associated with this information report. Generally affordable infill housing is considered a more sustainable development type, and BRIDGE has proposed to develop a building that meets LEED Gold or equivalent standards.

POSSIBLE FUTURE ACTION

Staff expect to come back to Council within the next year regarding next steps, including a permanent loan recommendation and funding strategy, an update on the amount of

public parking that will be provided, and a recommendation for the City's role in associated infrastructure improvements.

FISCAL IMPACTS OF POSSIBLE FUTURE ACTION

BRIDGE's current estimated request to the City is for \$12M to \$18M in addition to any City fund required for the public parking garage. Staff and BRIDGE are working in a number of areas, outlined above, that are likely to change the numbers, with the goal of meeting the priorities that Council identified with the minimum feasible City participation.

CONTACT PERSON

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