



Office of the City Manager

ACTION CALENDAR

October 29, 2019

To: Honorable Mayor and Members of the City Council

From: Dee Williams-Ridley, City Manager

Submitted by: Kelly Wallace, Interim Director, Health, Housing & Community Services

Subject: Reserving General Funds for Housing Trust Fund Program Predevelopment Applications for 2527 San Pablo Avenue, 2001 Ashby Avenue, and 2321-2323 10th Street and Possible Measure U1 Funding Reservation

RECOMMENDATION

Adopt a Resolution:

1. Reserving General Funds received pursuant to Measure U1 in the following amounts:
 - \$500,000 for Satellite Affordable Housing Associates' new construction development at 2527 San Pablo Avenue; and
 - \$1.2 million for Resources for Community Development's new construction development at 2001 Ashby Avenue; and
 - \$50,000 for Northern California Land Trust's renovation of 2321-2323 10th Street.
2. Conditioning NCLT's predevelopment loan on the organization demonstrating compliance with the requirements of its 2017 Development Loan Agreement for 1340-48 Blake Street and 2425 California Street, including:
 - Updating its plan for assessing the feasibility of converting 1340-48 Blake and 2425 California to cooperatives; and
 - Updating its organizational documents to reflect a tripartite structure.
3. Conditioning the loan for 2001 Ashby Avenue on RCD's evaluating ways to reduce or eliminate the project's proposed parking spaces and/or parking footprint, if possible, in consideration of the needs of the residents, community services space, and climate change mitigation.
4. Authorizing the City Manager to execute all original or amended documents or agreements to effectuate this action.

SUMMARY

The City's Housing Trust Fund guidelines allow proposed affordable housing developments to apply for predevelopment funding at any time. Predevelopment loans

support activities necessary to get a development ready for construction, such as costs related to design and entitlement. The City received these three applications but no funding is available from the Housing Trust Fund at this time due to prior commitments to the Berkeley Way project. The projects recommended for funding reservations in this report have all been recommended by the Housing Advisory Commission and could be funded from General Funds received pursuant to Measure U1.

FISCAL IMPACTS OF RECOMMENDATION

There is no funding currently available through the City's Housing Trust Fund (HTF) program's designated sources, so funding for these requests would need to come from City General Funds, such as those received pursuant to Measure U1. The funds for all three predevelopment loans would be appropriated as part of the First Amendment to the FY 2020 Annual Appropriations Ordinance that will go to Council on November 19th. The amount of General Funds received as a result of Measure U1 exceed the amounts needed for these requests and to fund reserves in the Berkeley Way project.

The City Council identified Berkeley Way as the first priority for Housing Trust Fund program designated funds on June 13, 2017 with Resolution 68,025-N.S. No designated HTF program funds are available for the predevelopment applications because the City's flexible local funds are needed to meet the Berkeley Way project's specific financing needs (discussed in greater detail later in this report), which is why no HTF program designated funds are available for these projects.

Any Housing Trust Fund program-designated funds remaining after fully funding the Berkeley Way project are expected to be reserved (along with the first tranche of Measure O bond funds) for affordable housing projects applying for funding through the current Request for Proposals (RFP).

CURRENT SITUATION AND ITS EFFECTS

Predevelopment Loan Requests

At its April 4, 2019 meeting, the Housing Advisory Commission (HAC) voted to recommend Satellite Affordable Housing Associates' request for \$500,000 for its proposed development of 2527 San Pablo Avenue.

Action: M/S/C (Tregub/Sharenko) to recommend to City Council Satellite Affordable Housing Associates' (SAHA) predevelopment loan application for \$500,000 for its proposed Blake Street Housing development at 2527 San Pablo Avenue.

Vote: Ayes: Johnson, Sharenko, Simon-Weisberg, Tregub and Wright. Noes: None. Abstain: Lord. Absent: Sargent (excused). Recused: Wolfe.

At its September 5, 2019 meeting, the HAC voted to support Resources for Community Development's \$1.2 million request for its proposed development of 2001 Ashby Avenue and Northern California Land Trust's \$50,000 request for its proposed renovation of 2123-2323 10th Street (subject to the contingencies noted in the votes).

The votes for each action are located below.

Action: M/S/C (Simon-Weisberg/Sharenko) recommend Resources for Community Development's (RCD) predevelopment loan request for an additional \$1.2 million for its proposed development at 2001 Ashby Avenue. The HAC also recommends the City require RCD evaluate ways to reduce or eliminate the project's proposed parking spaces and/or parking footprint, if possible, in consideration of the needs of the residents, community services space, and climate change mitigation.

Vote: Ayes: Lacey, Sargent, Sharenko, Simon-Weisberg, and Wright. Noes: Lord. Abstain: Mendonca. Absent: Johnson (excused) and Owens (excused). Recused: Wolfe.

Commissioner Wolfe recused herself from this item as she is on the board of Resources for Community Development, the applicant.

Action: M/S/C (Simon-Weisberg/Mendonca) to recommend the Housing Trust Fund subcommittee's recommendation to approve Northern California Land Trust's (NCLT) predevelopment loan request for \$50,000 for its proposed acquisition and renovation of 2321-2323 10th Street, subject to NCLT meeting the conditions of its 2017 Development Loan Agreement and completion of the following items prior to disbursement of funds:

- a. NCLT must provide an updated plan for assessing the feasibility of converting 1340-48 Blake and 2425 California to cooperatives; and
- b. NCLT must work with its Board to update the organizational documents to include the tripartite structure.

Commissioner Wolfe recused herself from this item as she is on the board of Resources for Community Development, an organization that makes funding requests to the City of Berkeley for development projects.

Vote: Ayes: Lacey, Mendonca, Sargent, Sharenko, Simon-Weisberg, and Wright. Noes: None. Abstain: Lord. Absent: Johnson (excused) and Owens (excused). Recused: Wolfe. Absent: Johnson (excused) and Owens (excused).

Measure U1/General Funds Availability

The City received these predevelopment funding requests because local affordable housing developers are identifying a pipeline of projects that could be funded with Measure O funds and are incurring related expenses. Although the HTF guidelines allow applicants to submit predevelopment loan proposals at any time, the City has not had any funds designated for the HTF available since June 13, 2017, when Council designated the Berkeley Way project as the first priority to receive those funds.

Staff are working closely with the Berkeley Way project team to identify the mix of funds that could be used to fund the City's existing reservation and will bring more information

to Council in late 2019 or early 2020 in anticipation of an April 2020 construction start. Measure O funds are restricted strictly to specific types of costs, such as building labor and materials, due to laws associated with voter approved bonds. The project has up to \$13M in certain costs the City has committed to support that are not Measure O bond-eligible, such as the capitalized operating reserve, which requires more flexible City funds. The City's funding mix will likely include Measure O funds, mitigation fee revenue, and General Funds such as those received under Measure U1.

In order to support the existing pipeline of projects, this item recommends reserving a total of \$1,750,000 in City General Funds received pursuant to Measure U1. The business license tax increase in Measure U1 went into effect in FY 2018, and the City has collected approximately \$5M per year in additional taxes. At the beginning of FY 2020, the City had a balance of \$8.2M. The Council has approved \$1,868,000 in expenses from this source for FY 2020. Staff project that the City can fund the \$1,750,000 in requested predevelopment funds from General Funds received under Measure U1 this year, and still have adequate funds for the Berkeley Way project.

BACKGROUND

The City's Housing Trust Fund Guidelines allow nonprofit developers to submit predevelopment loan applications at any time, outside of a competitive funding process. In recent months, the City has received predevelopment loan applications from SAHA, RCD, and NCLT for their respective projects. Brief descriptions of each proposed project are below.

2527 San Pablo Avenue – SAHA

SAHA acquired 2527 San Pablo Avenue – a fully entitled project – in May 2019. The project would require demolishing the existing (and vacant) service station, and construction of a new mixed-use development with 63 residential units and commercial space. The residential portion would be 100% affordable, with 62 units restricted at for household incomes at or below 30%-60% of the Area Median Income (AMI) and one unrestricted manager's unit. The units would be a mix of studios, one-, and two-bedrooms. Sixteen units would be set aside for people with special needs, including people with an intellectual or developmental disability or people experiencing homelessness.

SAHA requested \$500,000 in predevelopment funds to support due diligence efforts in converting the property from market rate to deed-restricted affordable housing. The majority of the funding request - \$380,000 – would support architectural work, with the remaining funds going towards environmental reports, geotechnical studies, an appraisal, and a market study. SAHA requested \$12 million in development financing (inclusive of the \$500,000 predevelopment request) through the current RFP.

HHCS staff have no concerns about SAHA's capacity and qualifications to carry out the proposed development, and there are no unresolved findings with respect to the City's monitoring of existing SAHA developments.

2001 Ashby Avenue – RCD

Cooperative Center Federal Credit Union (CCFCU) – the current owner of 2001 Ashby Avenue – entered into an MOU and purchase and sale agreement with RCD for the acquisition and development of the site as affordable housing. RCD is proposing 87 units, with a mix of studio, one-, two- and three-bedroom apartments affordable to households at or below 30% to 80% AMI. Some of them the units would be set-aside for a to-be-determined special needs population, which could include people who are homeless. The development will also include ground floor commercial space, including space for the nonprofit Healthy Black Families.

The City expects to close the initial approved \$368,000 predevelopment loan in September 2019. The loan will cover typical predevelopment period costs including architectural work, engineering, environmental studies, permit fees, an acquisition deposit, and other soft costs. The additional \$1.2 million requested here would go towards the purchase price, acquisition loan costs, and closing costs. Bringing in additional City funds at this stage will help reduce some of the acquisition financing costs. RCD is pursuing a private \$6 million loan that would cover the majority of the acquisition cost, and is contributing \$28,000 of its own capital to fund predevelopment expenses.

HHCS staff have no concerns about RCD's capacity and qualifications to carry out the proposed development, and there are no unresolved findings with respect to the City's monitoring of existing RCD developments.

The Housing Advisory Commission's (HAC) major concern with the project is that it includes more than 50 parking spaces adjacent to a BART station. As stated recommendation and voting information earlier, the HAC recommends conditioning funding on RCD's evaluating ways to reduce the amount of parking provided.

2321-2323 10th Street - NCLT

NCLT is in contract to purchase 2321-2323 10th Street, located one block west of San Pablo Avenue between Bancroft Way and Channing Way. The property has two separate two-story buildings with four units each.

NCLT is proposing to renovate the buildings and convert them to long-term affordability, operating it as a rental project or moving to a cooperative structure. Seven of the eight units are currently occupied. While NCLT has not income-certified the existing residents, four residents hold Section 8 vouchers and have incomes at or below 50% of AMI. NCLT intends to rent the vacant unit to another voucher holder.

The predevelopment funds would be used to assess the current condition of the property, and develop a scope of work that prioritizes health and safety improvements along with energy efficiency upgrades.

HHCS staff believe the proposed project is within NCLT's capacity to successfully complete. The scope is expected to be of similar scale to the renovations of 1340-48 Blake Street and 2425 California (financed together by the City and completed in October 2018), and there are no compliance issues related to the condition and management of those properties. However, staff recommend conditioning the predevelopment funding on NCLT demonstrating compliance with requirements included in the 2017 Development Loan Agreement for the renovation of Blake and California. NCLT is required to assess the feasibility of converting both properties to cooperatives, and update its organizational documents to reflect a tripartite structure composed of 1/3 residents, 1/3 community members, and 1/3 people representing the public interest.

ENVIRONMENTAL SUSTAINABILITY

The projects at 2527 San Pablo Avenue and 2001 Ashby Avenue are both proposed as affordable infill housing, which are typically regarded as mores sustainable forms of development. The project at 2321-2323 10th Street is a proposed renovation of an existing property, with a scope that would include energy efficiency measures.

RATIONALE FOR RECOMMENDATION

All three projects would help meet City goals of creating affordable housing in Berkeley, either through new construction of units or through the conversion of rent controlled units to deed-restricted affordability. SAHA, RCD, and NCLT all applied for development funding through the current RFP. Providing predevelopment funding now will help the developers move forward with feasibility studies and design that will support their applications for non-City development funds.

ALTERNATIVE ACTIONS CONSIDERED

The City could wait until projects in the development pipeline are fully funded and enough mitigation fees designated for the HTF program accrue before considering more predevelopment loan requests.

CONTACT PERSON

Jenny Wyant, Community Development Project Coordinator, HHCS, (510) 981-5228

Attachments:
1: Resolution

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

RESERVING GENERAL FUNDS GENERATED BY MEASURE U1 FOR
PREDEVELOPMENT COSTS

WHEREAS, the City Council established a Housing Trust Fund Program (HTF) guidelines to guide the City's work to assist in the development and expansion of housing affordable to low and moderate income persons who either work or reside within the City of Berkeley, and authorized the City Manager to implement the Program; and

WHEREAS, there is a great need for affordable and special needs housing in the City of Berkeley as stated in the General Plan Housing Element and the City of Berkeley's Consolidated plan; and

WHEREAS, the City's Housing Trust Fund Guidelines allow predevelopment loans to be submitted at any time; and

WHEREAS, Satellite Affordable Housing Associates submitted an application for \$500,000 in predevelopment funding for its proposed development of 2527 San Pablo Avenue, Resources for Community Development submitted an application for an additional \$1.2 million in predevelopment funding for its proposed development of 2001 Ashby Avenue, and Northern California Land Trust submitted an application for \$50,000 in predevelopment funding for its proposed renovation of 2321-2323 10th Street; and

WHEREAS, the 2017 Development Loan Agreement between the City and Northern California Land Trust for the renovation of 1340-48 Blake Street and 2425 California Street included certain requirements related to assessing the feasibility of the converting the properties to cooperatives, and updating the organization's organizing documents to reflect a tripartite Board structure; and

WHEREAS, on November 8, 2016, Berkeley residents voted to approve Measure U1, which increased the business license tax, with revenues going into the City's General Fund; and

WHEREAS, Measure U1 designated the Housing Advisory Commission to advise the Council on expenditures to create affordable housing to prevent homelessness; and

WHEREAS, on April 4, 2019, the Housing Advisory Commission recommended \$500,000 in predevelopment funding for Satellite Affordable Housing Associates' proposed development of 2527 San Pablo Avenue; and

WHEREAS, on September 5, 2019, the Housing Advisory Commission recommended \$1.2 million in predevelopment funding for Resources for Community Development's proposed acquisition and development of 2001 Ashby Avenue, and \$50,000 in predevelopment funding for Northern California Land Trust's proposed acquisition and renovation of 2321-2323 10th Street.

NOW THEREFORE, BE IT RESOLVED by the Council of the City of Berkeley that it approves the following reservations of General Funds generated pursuant to Measure U1:

- \$500,000 in General Funds for Satellite Affordable Housing Associates; and
- \$1.2 million in General Funds for Resources for Community Development; and
- \$50,000 in General Funds for Northern California Land Trust.

BE IT FURTHER RESOLVED that the predevelopment funding for Northern California Land Trust be conditioned upon the organization demonstrating compliance with the requirements of its 2017 Development Loan Agreement, including the following:

- Updating its plan for assessing the feasibility of converting 1340-48 Blake and 2425 California to cooperatives; and
- Updating its organizational documents to reflect a tripartite structure.

BE IT FURTHER RESOLVED that the predevelopment funding for Resources for Community Development's 2001 Ashby project be conditioned on RCD's evaluating ways to reduce or eliminate the project's proposed parking spaces and/or parking footprint, if possible, in consideration of the needs of the residents, community services space, and climate change mitigation.

BE IT FURTHER RESOLVED that the City's Housing Trust Fund program guidelines will apply to the use of these funds.

BE IT FURTHER RESOLVED that the City Manager, or her designee, is hereby authorized to execute all original or amended documents or agreements in accordance with the intent of this Resolution; 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 these loans are eligible to be repaid with City Measure O-funded loans, subject to future approval of Measure O loans.