



**Berkeley Housing Authority**

1901 Fairview St., Berkeley, CA 94703  
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*Office of the Executive Director*

Item 6C  
NEW BUSINESS  
July 23, 2010

To: Honorable Chairperson and  
Members of the Housing Authority Board

From: Tia M. Ingram, Executive Director

Subject: Approving a Resolution reinstating 17 of the 42 Project Based Vouchers that were withdrawn on June 10, 2010 (for a Total of 62 vouchers) to CityCentric for the Ashby Arts project on the condition that the owner, on or before December 31, 2010, submits (1) evidence of a valid award from the City of Berkeley of a \$1.4 million Housing Trust Fund allocation; and (2) evidence of award of \$15.9 million Tax Credits or other financing to close the finance gap; and (3) evidence that Bridge Housing Corporation, or an affiliate thereof, is the Managing General Partner on the project.

RECOMMENDATION

Approving a Resolution reinstating 17 of the 42 Project Based Vouchers that were withdrawn on June 10, 2010 (for a Total of 62 vouchers) to CityCentric for the Ashby Arts project on the condition that the owner, on or before December 31, 2010, submits (1) evidence of a valid award from the City of Berkeley of a \$1.4 million Housing Trust Fund allocation; and (2) evidence of award of \$15.9 million Tax Credits or other financing to close the finance gap; and (3) evidence that Bridge Housing Corporation, or an affiliate thereof, is the Managing General Partner on the project.

BACKGROUND

Ashby Arts is an 87 unit, new construction project for seniors (62 or older) to be located at the intersection of Ashby and San Pablo Avenues. The project was initially scheduled to begin construction in February 2010, with initial occupancy scheduled for July 2011. The current schedule assumes construction will begin in October 2010 with initial occupancy planned for March 2013. Key milestones follow:

1. On July 9, 2009, the BHA Board awarded 87 Project Based Vouchers to the project (without any conditions).
2. On February 11, 2010 the award was reaffirmed, with two conditions that were to be met by June 30, 2010:
  - A. The owner provide evidence of \$1.4 million in Housing Trust Fund monies from the City of Berkeley (or other replacement funding of an equal amount); and
  - B. The owner provide evidence of award of \$15.9 million in Low Income Housing Tax Credits (or other replacement funding of an equal amount).

3. On May 12, 2010, BHA was contacted by CityCentric and Bridge Housing Corporation (Attachment 2) with a request to extend the Section 8 Project Based Voucher award through December 31, 2010.
4. On June 10, 2010, the BHA Board reduced the original award, granting an extension of the award of 45 Project Based Vouchers with the following conditions by December 31, 2010 with the following conditions:
  - A. The owner secure an extension from the City of the \$1.4 million from the Housing Trust Fund; and
  - B. The owner provide evidence of a \$15.9 million tax credit award; and
  - C. The owner provide evidence that Bridge Housing Corporation remain a partner on the project.
5. On June 14, 2010, the owner advised that the project cannot move forward with only 45 vouchers, and requested consideration for reinstatement of 17 of the 42 vouchers that were withdrawn on June 10, for a total of 62 Project Based vouchers.
6. On July 13, 2010 the Berkeley City Council granted a final extension of the \$1.4 million reservation from the Housing Trust Fund through December 31, 2010 (Attachment 3).

#### STATUS

With the initial award of Project Based Vouchers, the Board recognized the project as important in meeting the affordable housing need in the City of Berkeley for seniors. Although initial occupancy is still three years away, and notwithstanding the fact that BHA's ability to award project based vouchers to other projects could be adversely impacted, in recognition of the owner's continuous efforts to identify funding and partners to make the project successful, and based on the owner's certification that the project can remain viable with 62 project based vouchers, staff proposes reinstating 17 of the vouchers, with a final extension through December 31, 2010.

#### FINANCIAL IMPACTS OF RECOMMENDATION

Significant. Could be as high as \$72,867 in foregone earned administrative fee per year (62 vouchers x 12 months x \$97.94 Administrative Fee per unit month), although strategic planning can negate most of, if not all, foregone earned administrative fee, as stated in the Project Based report provided also on this day (July 23, 2010).

#### CONTACT PERSON

Jesy Yturalde, Finance Manager, 981-5488  
Rachel Gonzales-Levine, Management Analyst, 981-5485  
Tia M. Ingram, Executive Director, 981-5471

#### Attachments:

1. Resolution
2. CityCentric's June 14, 2010 request for 62 Project Based Vouchers
3. 7/13/10 Staff Report to City Council regarding Ashby Arts

BERKELEY HOUSING AUTHORITY  
RESOLUTION NO. 10-\_\_\_\_\_

APPROVING A RESOLUTION REINSTATING 17 OF THE 42 PROJECT BASED VOUCHERS THAT WERE WITHDRAWN ON JUNE 10, 2010 (FOR A TOTAL OF 62 VOUCHERS) TO CITYCENTRIC FOR THE ASHBY ARTS PROJECT ON THE CONDITION THAT THE OWNER, ON OR BEFORE DECEMBER 31, 2010, SUBMITS (1) EVIDENCE OF A VALID AWARD FROM THE CITY OF BERKELEY OF A \$1.4 MILLION HOUSING TRUST FUND ALLOCATION; AND (2) EVIDENCE OF AWARD OF \$15.9 MILLION TAX CREDITS OR OTHER FINANCING TO CLOSE THE FINANCE GAP; AND (3) EVIDENCE THAT BRIDGE HOUSING CORPORATION, OR AN AFFILIATE THEREOF, IS THE MANAGING GENERAL PARTNER ON THE PROJECT

WHEREAS, Berkeley Housing Authority (BHA) is authorized to assist 1,841 households in the Section 8 Housing Choice Voucher Program; and

WHEREAS, BHA has been under-leased, assisting fewer families than authorized, for several years; and

WHEREAS, On February 11, 2010 the BHA Board approved award of the 87 Project Based Vouchers to the Ashby Arts Project, with the following conditions: (1) Provide evidence of award of \$1.4 million in Housing Trust Fund from the City of Berkeley by June 30, 2010 or other replacement funding equal to or greater than \$1.4 million; and (2) Provide evidence of award of \$15.9 million in Low Income Housing Tax Credits by June 30, 2010 or other replacement funding equal to or greater than \$15.9 million; and

WHEREAS, on June 10, 2010, the BHA Board reduced the original award of 87 Project Based Vouchers by 42, for a total of 45 Project Based Vouchers; and

WHEREAS, the owner advises that 62 Project Based Vouchers is the baseline required for the project to remain financially viable and move forward; and

WHEREAS, the owner has agreed to the condition that Bridge Housing Corporation, or an affiliate thereof, is the Managing General Partner on the project; and

WHEREAS, on July 13, 2010, the City of Berkeley granted an extension of the \$1.4 million Housing Trust Fund allocation through December 31, 2010.

NOW, THEREFORE, BE IT RESOLVED by the Board of the Berkeley Housing Authority, that CityCentric's request for reinstatement of 17 additional vouchers, for a total of 62 Project Based Vouchers for the Ashby Arts project through December 31, 2010 is conditionally approved, subject to

the owner securing all required financing, and maintaining Bridge Housing Corporation, or an affiliate thereof, is the Managing General Partner on the project.

The foregoing Resolution was adopted by the Board of the Berkeley Housing Authority on July 23, 2010 by the following vote:

Ayes:

Abstain:

Absent:

Attest: \_\_\_\_\_  
Tia M. Ingram, Secretary

**From:** Ali Kashani [mailto:akashani@citycentric.net]  
**Sent:** Monday, June 14, 2010 1:41 PM  
**To:** Ingram, Tia; 'Carole Norris (CNorris@icfi.com)'  
**Cc:** Brad Wiblin; Mark Rhoades  
**Subject:** Ashby Arts

Dear Tia and Carole:

Thank you for your positive recommendation to the BHA Board to extend 87 PB Section 8 Vouchers to Ashby Arts. Unfortunately, the Board's final vote on Thursday June 10<sup>th</sup> in allocating only 45 vouchers to Ashby Arts makes the project's financing infeasible at this time. We are writing to request a reconsideration of the Board's vote at its upcoming meeting on June 25, 2010.

We fully appreciate the Board's predicament in needing to allocate some number of the vouchers to an existing project that is in need of rehabilitation, while providing immediate overhead fees for the BHA. As you recall, we agreed at the meeting that we feel taking away 25 of the 87 vouchers from Ashby Arts would keep our project in the competitive realm for the upcoming funding competitions for State HCD's MHP program as well as other Federal funding competitions later this year.

We hope that you will be able to agendize our request for your Board's reconsideration of their action in the upcoming meeting on June 25, 2010.

Sincerely,

Ali Kashani

Brad Wiblin

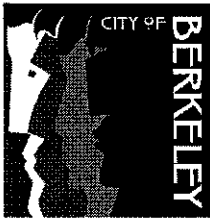
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Office of the City Manager

ACTION CALENDAR

July 13, 2010

To: Honorable Mayor and Members of the City Council  
 From:  Phil Kamlarz, City Manager  
 Submitted by: Jane Micallef, Director, Housing and Community Services Department  
 Subject: Discussion and Possible Action Regarding a Funding Reservation for Ashby Arts

RECOMMENDATIONS

If the Council desires to reauthorize a Housing Trust Fund (HTF) reservation for Ashby Arts, approve the attached resolution and direct the City Manager to continue to work with the developers to secure sufficient funding to construct the project.

FISCAL IMPACTS OF RECOMMENDATION

Ashby Arts previously received an HTF reservation in the amount of \$1,381,450, which expired on June 30, 2010.

CURRENT SITUATION AND ITS EFFECTS

CityCentric and Bridge Housing Corporation (Bridge), the proposed developers of Ashby Arts, have requested a reauthorization of HTF funding for Ashby Arts until December 31, 2010. On March 23, 2010, the Council reserved funding for the project contingent upon CityCentric partnering with a nonprofit developer and the City Manager's approval of the financing package to include the following:

- Construction and permanent financing loans in amounts sufficient to build the project;
- Partnership agreement with Bridge or another non-profit partner to provide the necessary developer equity;
- Agreement with the retail partner to provide the funds to construct the retail space and purchase the space at completion of construction; and
- Additional sources of financing necessary to fill any funding gaps.

Since the March Council meeting, CityCentric and Bridge have made progress toward satisfying the conditions of funding imposed by Council. To date, Bridge has executed a letter of interest with R.B. Tech Center, LP to purchase the Ashby Arts site and is currently negotiating a full purchase and sale agreement (PSA) for the site. Bridge intends to have the PSA executed by June 30, 2010. In addition, Bridge submitted an application for funding to the Federal Home Loan Bank's Affordable Housing Program (AHP) in April, and received an award of \$970,000 in AHP funds in June.

However, Bridge has submitted a working draft of its financing plan to City staff and there is still a substantial funding gap for the project. Moreover, on June 10, 2010, the Berkeley Housing Authority (BHA) reduced the number of project-based Section 8 vouchers dedicated to Ashby Arts from 87 to 45. The following table summarizes the estimated sources of funding for the project and the current funding gap. The table incorporates information provided by Bridge as well as preliminary analysis conducted by staff.

<b>Estimated Source of Funds</b>	<b>Amount</b>
AHP	\$ 970,000
Tax Exempt Bond Loan + Project-Based Section 8 Loan	12,960,043
Tax Credits	8,219,406
City HTF Loan	1,381,450
Retail Equity	2,250,000
Deferred Developer Fee	1,039,563
Bridge Developer Equity	750,000
<b>Total Sources of Funds</b>	<b>\$27,451,450</b>

<b>Funding Gap Analysis</b>	
Estimated Total Development Cost	\$31,106,350
Gap	\$3,654,900
Funding Lost Due to Reduction in Section 8 Vouchers From BHA to 45	(\$1,846,238)
<b>Estimated Funding Gap</b>	<b>\$5,501,138</b>

To close the estimated \$5.5 million funding gap, Bridge has proposed applying for a \$2 million low interest loan from the State of California's Multifamily Housing Program (MHP). Applications for MHP funds are due July 23, 2010 and competition will be intense for this scarce resource. This is the last MHP funding round and only \$35 million is available statewide. In order to submit a competitive application, Bridge would need a funding reservation from the City.

CityCentric and Bridge have also requested that BHA reconsider its action on June 10, 2010 to reinstate 17 of the project-based vouchers that were removed from Ashby Arts. Reinstating 17 vouchers to the project (for a total of 62) would restore approximately \$1.1 million in funding. Reinstating all vouchers to the 87 vouchers BHA originally committed to the project would provide approximately \$1.85 in additional funding.



Even if Ashby Arts has all of its 87 vouchers restored and receives \$2 million in MHP funding, the project would still have a funding gap of approximately \$1.7 million. Bridge and CityCentric continue to search for funds to close this gap, but the developers have already identified all of the most likely sources. The size of the funding gap and the lack of other available resources suggest that an additional contribution from the City might be necessary to make the project financially feasible.

**RATIONALE FOR RECOMMENDATION**

If Council wishes to reserve funds for Ashby Arts, it would require waiving the HTF guidelines to reauthorize the \$1,381,450 fund reservation. Given the significant remaining gap, the preliminary nature of the financial information provided by the developers, the current status of the BHA project-based Section 8 vouchers, and the uncertain ability of the project to secure MHP or other additional funding, staff is not prepared to provide a funding recommendation at this time. However, it appears that Ashby Arts could require anywhere from \$1.7 million to \$5.5 million in additional funding.

**ALTERNATIVE ACTIONS CONSIDERED**

None.

**CONTACT PERSON**

Peter Armstrong, Community Development Project Coordinator, Housing and Community Services Department, 981-5435  
Kathryn Hoover, Housing Services Manager, Housing and Community Services Department, 981-5415

**Attachments**

1. Resolution

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

FUNDING RESERVATION FOR 1200 ASHBY AVENUE – ASHBY ARTS

WHEREAS, the City Council of the City of Berkeley desires to promote the development of quality affordable housing for low income households within the City of Berkeley; and

WHEREAS, the City Council has established a Housing Trust Fund (HTF) in order to provide financial assistance to the developers of low income affordable housing with the City; and

WHEREAS, the City published a Request For Proposals for HTF funding on January 15, 2010 and announced that it would accept applications until March 1, 2010; and

WHEREAS, the City desires to consider requests for HTF funding for both Strawberry Creek Lodge and Ashby Arts in the 2010 HTF funding cycle; and

WHEREAS, on March 23, 2010 Council made an HTF reservation in the amount of \$1,381,450 for the Ashby Arts Project provided the developers were able to meet certain conditions no later than June 30, 2010; and

WHEREAS, the developers were unable to meet the funding conditions by the June 30, 2010 deadline and the fund reservation has now expired.

NOW THEREFORE BE IT RESOLVED that Council hereby waives the HTF Guidelines and reauthorizes HTF funding for Ashby Arts in the amount of \$1,381,450 until December 31, 2010.

BE IT FURTHER RESOLVED the City Manager, or his designee, is hereby authorized to execute all original or amended documents or agreements in accordance with the intent of this resolution provided the Developer can provide:

- Construction and permanent financing loans in amounts sufficient to build the project;
- Partnership agreement with Bridge or another non-profit partner to provide the necessary developer equity;
- Agreement with the retail partner to provide the funds to construct the retail space and purchase the space at completion of construction; and
- Additional sources of financing necessary to fill any funding gaps.

BE IT FURTHER RESOLVED a signed copy of said documents, agreements and any amendments will be kept on file in the Office of City Clerk.