



Health, Housing &
Community Services Department

CITY OF BERKELEY'S HOUSING TRUST FUND GUIDELINES

Adopted by Berkeley City Council Resolution No. 64,394–N.S., April 21, 2009, as amended by Berkeley City Council Resolution No. 67,430-N.S. on April 5, 2016.

**CITY OF BERKELEY
HOUSING TRUST FUND PROGRAM GUIDELINES**

I. HOUSING TRUST FUND PROGRAM OVERVIEW

A. Purpose

The purpose of the Housing Trust Fund (HTF) Program is to pool monies from different sources to help achieve the City's General Plan (including the Housing Element) and Consolidated Plan goals of developing and preserving long-term below market rate housing for low, very low, and extremely-low income households in order to maintain and enhance the ethnic and economic diversity of the City. To achieve this purpose, HTF resources shall be used to provide loans and grants to qualified developers, public entities, groups, and individuals to undertake activities which create, maintain, or expand the City's affordable housing stock.

B. Funding Sources

Revenues for the HTF shall come from the following sources:

1. Federal HOME Partnership for Investment Program (HOME Program) allocations.
2. Allocated Community Development Block Grant (CDBG) funds.
3. Housing fees provided by development projects, demolitions and condominium conversions.
4. Proceeds obtained from the sale of City-owned residential properties.
5. Payments of interest and principal due to the City from borrowers of previous Fund loans.
6. Inclusionary Zoning fees to be paid in-lieu of construction of housing units as allowed by the Inclusionary Ordinance, Berkeley Municipal Code Chapter 23C.12.
7. Funds from other sources authorized by the City Council, the Berkeley Housing Authority, the Berkeley Redevelopment Agency, the Rent Stabilization Board, and the voters.
8. Gifts or awards made by individuals or organizations.

C. Management of the Housing Trust Fund

The HTF Program is implemented by the City's Housing Department. The Program's Project Development staff is part of the Housing Department. The Project Development staff (Department staff) is responsible for working with the HTF applicants from application through pre-development and loan closing, construction and project completion; maintaining all records of the HTF; monitoring the use of distributed HTF funds to assure ongoing compliance with the purposes of the HTF and the conditions under which the HTF funds were granted or loaned; and reporting to the Housing Advisory Commission (HAC), City Manager, and City Council regarding the operation and activity of the HTF.

D. Establishment of the City of Berkeley Housing Trust Fund

In 1990, the City of Berkeley established the HTF as part of strategy to work with the development community in producing much needed long term affordable housing for low-income residents of the City. The HTF pools a variety of funds (federal CDBG and HOME, as well as City General Funds, redevelopment housing set-asides, and housing mitigation funds) for affordable housing production. Nonprofit and for-profit residential developers can leverage these HTF funds with other private and public affordable housing financing sources to facilitate affordable housing production in Berkeley.

E. Housing Advisory Commission

Berkeley's system of boards and commissions provides a way for residents who have special experience or interests to participate in the City's decision-making process by advising the City Council on numerous issues. Appointed by individual City Council members, the HAC includes nine (9) individuals. The HAC advises Council on housing matters; Community Development Block Grant (CDBG) and Emergency Shelter Grant (ESG) programs and funding allocations; hears and determines matters regarding the abatement of substandard and deficient buildings; serves as an appeals board for tenants and property owners regarding relocation and correction of code violations; and advises Council on HTF allocations.

F. Revision of Guidelines

The Housing Advisory Commission (HAC) shall actively solicit discussion and comment from interested commissions and the public in assessing the policy impacts of proposed revisions to the HTF Guidelines and make recommendations to the City Council. The Planning Commission shall review any proposed revisions to the HTF Guidelines for consistency with the General Plan.

II. HOUSING TRUST FUND DEFINITIONS

The following definitions apply to terms used within these Guidelines:

- A. **Affordable Housing:** housing that is provided at an affordable rent or an affordable housing cost to low income and/or very low income and/or extremely low income households.
- B. **Applicant:** any individual, person, firm, partnership, association, joint venture, corporation, limited liability company, entity, combination of entities or authorized representative who undertakes, proposes or applies to the City for an affordable housing development project.
- C. **Area Median Income or "AMI:"** is established for metropolitan areas or non-metropolitan counties by the U.S. Department of Housing and Urban Development (HUD), pursuant to 42 U. S. C. Chapter 1437 et seq., to establish local income classification levels. These classifications are also

used in California housing law with respect to income eligibility limits (Please go to <http://www.huduser.org/datasets/il.html>).¹

1. **Extremely Low Income Household:** a household having an income not exceeding thirty (30%) percent of AMI adjusted for household size and as defined by the U.S. Department of Housing and Urban Development.
 2. **Very Low Income Household:** A household having an income not exceeding fifty (50%) percent of AMI adjusted for household size and as defined by the U.S. Department of Housing and Urban Development.
 3. **Low Income Household:** a household having an income not exceeding eighty (80%) percent of the AMI adjusted for household size and as defined by the U.S. Department of Housing and Urban Development.
 4. **Moderate-income Household:** a household having an income not exceeding one hundred twenty percent (120%) of the AMI adjusted for household size and as defined by the U.S. Department of Housing and Urban Development. Households with income between 120% and 80% of AMI are considered “moderate income.”
- D. **Bridge Loan:** an interim or short-term loan which can be used to finance all or part of the development project’s costs until a permanent loan or the next stage of longer-term financing can be obtained. Money from the replacement financing is generally used to "take out" (to pay back) the bridge loan.
- E. **City:** the City of Berkeley.
- F. **City Manager:** the City Manager of the City of Berkeley or his or her designees.
- G. **Cohousing:** A living arrangement which is owned and managed by the residents, and combines private living quarters with common dining and activity areas in a community whose residents share in common tasks.
- H. **Cooperative Housing:** a legal agreement or arrangement in which an association or corporation owns a group of housing units and the common areas for the use of all the residents. The individual participants (shareholder) own a share in the cooperative which entitles the shareholder to occupy an apartment or unit as if they were owners, to have equal access to the common areas and to vote for members of the Board of Directors which manages the cooperative.
1. **Limited Equity Housing Cooperative:** offers ownership opportunities to lower income households while limiting the return from resale that the household can receive from the housing. It contrasts with “market rate” cooperatives, where memberships can be transferred at market value. Limited Equity Housing Cooperatives are organized as nonprofit corporations.

¹ . Berkeley falls within the Oakland-Fremont Metropolitan Statistical Area.

- I. **Construction Loan:** a short-term, interim loan for financing the cost of construction. Payments from the loans are called construction draws and are made at periodic intervals as the construction progresses. These loans are typically converted or taken out by a “permanent loan” and or financing.
- J. **Development Project:** means the new construction or the renovation of a residential building or mixed-use building which includes residential units.
- K. **Joint Venture Agreement:** A legally binding contract which is formed by two or more parties for a specific purpose. A Joint Venture is an enforceable agreement formed by a partnership or other acceptable legal entity, and its scope is usually limited to one development project.
- L. **Market Rate:** Apartments and other residential dwellings that are available on an unsubsidized basis to the general public for lease, rent, or for the purchase of homeownership.
- M. **Permanent Loan:** A long-term loan which is usually not less than 7 to10 years and which payments made by the borrower to the lender on the loan can be fully amortized and/or deferred.
- N. **Predevelopment:** Time period which includes project feasibility studies, site acquisition and preliminary design studies for a development project usually (but not always) preceding the acquisition of a property site.
- O. **Residual Receipts:** The income remaining after expenses, in any given time period.
- P. **Silent Second:** A second mortgage or lien that is often obtained at preferential (subsidized) terms. The second (or subordinate) lien might bear no interest and may not be repayable until the first mortgage or deed of trust is repaid or the property is sold (and hence remains “silent”).

III. ELIGIBILITY

A. **Eligible Entities (Applicants)**

To be funded, the Applicant must have sufficient experience and/or demonstrate sufficient capacity and training in housing development and management to successfully secure financing, construct, complete, and operate the proposed project.

In order to be considered for funding, the Applicant must show prior experience and current capacity to complete the project. All members of the development team must demonstrate the qualifications necessary to complete the project.

All HTF affordable housing projects shall be undertaken and completed by the Developer (HTF Applicant) and not other members of the development team.

1. Developer Experience and Agreements

To be eligible, the Applicant must demonstrate either:

- a. Completion of at least two projects with a total unit count of 25 completed within the last three years, or
- b. Completion of at least three projects within the last 5 years, with at least a total unit count 35 units.

Applicants without the necessary experience must enter into joint venture agreements with experienced developers.

2. Limited Partnerships Requirements

For projects proposed as limited partnerships, the City reserves the right to approve the limited partnership agreement prior to any HTF loan award.

3. Joint Venture Requirements

Joint venture agreement can allow inexperienced applicants to gain development understanding and can permit both the experienced developer and applicant to form a mutually beneficial working relationship.

Applicants who are submitting as a Joint Venture shall comply with the following:

- a. If the developer is a joint venture, the HTF Application or project will be scored based on the experience of the “lead developer.” The “lead developer” is the entity that has the majority interest in the joint venture or partnership. In all joint ventures, a majority control must be held by the development entity meeting the City requirements for experience as described in this Section.
- b. At the time of the HTF Application, the City must review and approve all joint venture agreements and the HAC and staff will make recommendations on the joint venture agreement.
- c. For all joint venture agreements, the City shall decide which criteria are applicable by determining which joint venture partner has the majority control in the management and operation of the joint venture.

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4. Property Management Experience

- a. The applicant or the applicant’s property management agent must have managed at least one project completed for at least 24 months subject to satisfactory performance review by any city agency from which the Project received funding.

- b. If the proposed project includes a supportive services component designed for very low or extremely low-income families that need services linked to their housing in order to remain stable in the proposed housing project, the property management agent must also provide evidence of managing other housing projects with supportive services from any city or city agency from which the agent received funding for providing comparable services.

B. Eligible Housing Projects

Development projects which create and/or preserve affordable housing units are eligible to receive funding, including group homes, limited equity cooperatives, co-housing, single-room occupancy units and transitional housing. The residential portions of mixed-use and live/work projects that meet the affordability requirements of these Guidelines shall be eligible for assistance. Funding may also be provided to assist in the creation of common areas, meeting space, and other space primarily for use by the residents of the assisted units, such as rooms to provide on site medical or counseling services. The Fund may assist the moving of a housing structure within the City limits, when the structure is a nonconforming use in a commercial or industrial zone or when necessary to preserve a residential structure, provided all other requirements of the fund are met.

Units covered by the City of Berkeley's Inclusionary Ordinance may be assisted, provided the assistance from the Fund is used to create a deeper level of affordability than required under that Ordinance.

C. Eligible and Ineligible Activities

Activities eligible for funding include pre-development costs; new construction; acquisition of property; conversion of non-residential to residential use; conversion of rental units to limited equity cooperative housing, condominiums or co-housing; relocation; and rehabilitation costs, provided that the conditions below are met. HTF revenue sources may have additional restrictions which applicants will also be required to meet.

1. Eligible and Ineligible Predevelopment Activities

- a. The applicant must investigate all other available sources of funds for pre-development activities. Obtaining a loan from the Fund for pre-development activities shall be considered a last resort by the applicant, and applicants will be asked to document which alternative sources have been pursued prior to application.
- b. Only non-profit developers are eligible for predevelopment loans. This includes non-profits who have a joint venture agreement with a for-profit entity. Eligible pre-development activities may include reasonable expenses for architectural fees, market research consultants, expenses related to acquisition of property, preliminary financial

applications, reasonable and customary costs of obtaining firm construction loan commitments, architectural plans and construction specifications, zoning approval fees, engineering studies, legal fees, and other costs directly associated with activities prior to development of the property.

- c. Ineligible activities include but are not limited to property tax penalties, the rental of rooms for community meetings, mailings (including postage and printing of flyers or invitations), refreshments for neighborhood outreach meetings, and transportation to such meetings.
- d. No HTF funds for administrative and staffing costs shall be committed to a nonprofit developer if CDBG or other available funding sources are available for this purpose.
- e. No HTF funds for administrative and staffing costs shall be committed to for-profit developers who are expected to raise such funds from private investors.

2. Eligible Acquisition and/or Rehabilitation Activities

All reasonable costs associated with acquisition for housing or mixed-use purposes, building relocation, and rehabilitation are eligible for funding. The purchase price of a property to be acquired shall not exceed its appraised value, unless the City Manager finds that the project has sufficient merit to justify paying a higher price, in which case the price shall not exceed the appraised value by more than ten percent. Rehabilitation shall include activities to make the building seismically safe and to abate lead contamination.

3. Eligible New Construction Activities

All reasonable costs associated with new construction eligible housing projects are eligible for funding.

IV PROGRAM REQUIREMENTS

A. Affordability Requirements

All applications for funding must meet the minimum requirements below. Applicants may propose to produce units with lower income or affordability ranges than prescribed herein, in which case, the lower income ranges shall be used to set rents or sales prices for the affordability term. The income limits apply to the initial occupancy of the unit and all subsequent re-occupancy.

Units whose construction is wholly or in part funded by the HTF shall be specified in the project's development loan agreement executed with the City of Berkeley.

1. Rental Limits on Affordable Housing Developments

Rent ceilings are to be based on the Area Median Income for the Oakland-Fremont Metropolitan Statistical Area issued by the federal Department of Housing and Urban Development and are to be adjusted annually to reflect new area median income and HOME requirements when HOME monies are used. Notwithstanding this provision, all units shall be leased in accordance with the City of Berkeley's Rent Stabilization Ordinance, BMC Chapter 13.76.

Rent ceilings shall include utilities based on the utilities schedule used for the Federal Section 8 Program Tenant-based Rental Assistance Program. Rent ceilings shall be set for the units and are not necessarily based on the tenant's household income. This may result in households paying more than 30% of their incomes for rent, or paying less than 30%.

The rent ceilings of the restricted units shall be finalized prior to the HAC's HTF Subcommittee making its final HTF funding recommendation to the HAC. However, other lender requirements (such as the State of California programs) may change these affordability requirements. However, the affordability limits must still meet the minimum affordability levels outlined in the HTF Guidelines unless an exception is approved by the HAC and City Council as provided for in Section VI.B.4.

a. Rents

At least 60% of all units in an eligible housing project must have rents as follows:

- i. Not less than forty percent (40%) of all the units must be affordable to households whose income does not exceed 60% of Area Median Income (AMI); and
- ii. Not less than twenty percent (20%) of all the units must be affordable to households whose income does not exceed 30% of AMI.
- iii. Rents on the remaining 40% of the units may be set at market rate.
- iv. City of Berkeley will give preference to projects that address chronic homelessness and/or housing for extremely low income households, or households whose income does not exceed 30% AMI as described above.

b. Affordability Term – Regulatory Period

All newly constructed or rehabilitated housing rental units assisted through the Fund shall be affordable for a period of not less than 55 years from the date of project completion.

2. Homeownership Housing Developments

The following guidelines shall apply to homeownership projects:

- a. There are no minimum requirements for the number of affordable homeownership units in a project or complex, which can receive assistance from the Fund. However, homeownership units otherwise required to provide these affordability levels through the Inclusionary Ordinance are not eligible for an HTF subsidy. Sale prices of affordable units must be set at a price affordable to households with incomes at 65% of AMI. For the purpose of setting a sales price, "affordable" shall be defined as housing costs including mortgage payments, property taxes, insurance, and Homeowner's Association dues (if applicable) that are no greater than 35% of gross income for a household at 65% of AMI.
- b. All affordable homeownership units shall be made available to first-time homebuyers, or previous owners of limited equity cooperatives or similar type of housing that have occupancy restrictions.
- c. The City shall develop procedures for addressing maximum sales prices, methods of selection of buyers, types of units to be assisted, forms of assistance, forms of resale controls and other administrative controls as found necessary by the City Manager to ensure that units continue to be affordable to, and sold to, households in the appropriate income category. Ownership projects shall contain resale affordability controls to achieve compliance with the goal of long-term affordability.
- d. Housing sale prices shall be set based upon prevailing mortgage interest rates and may include the value of second mortgage assistance provided by the Fund.
- e. Properties acquired for the purpose of becoming part of a limited equity form of ownership shall be considered as homeownership housing rather than rental properties. However, in occupied buildings, existing tenants will have the right to remain in their units as tenants or limited equity owners. The developer shall assist existing tenants obtain additional necessary financing if they are interested in becoming limited-equity owners.

3. Occupancy Requirements

All HTF-assisted rental units shall be occupied by households with incomes at or below the targeted income category, unless compliance with the federal, state, or local laws including the City of Berkeley's Rent Stabilization and Eviction for Good Cause Ordinance requires otherwise.

All HTF-assisted homeownership units shall be sold to households with incomes at or below the targeted income category who agree to occupy the unit as their principal place of residence.

V. TYPES OF ASSISTANCE

Assistance shall be provided in the form of a loan. The HTF funds will be used and disbursed to borrowers following the guidelines and procedures governing the eligible uses and disbursement of funds established by the federal, state, and local requirements and which pertain to the use of HTF funds for a development project. Additionally, the City's Housing Department and the HTF Program have established policies regarding the disbursement of funds for both development and construction costs.

A. Predevelopment Loans (Short-Term or Bridge Loan)

Understanding that predevelopment loans present a certain level of risk but are necessary to move projects forward, the City will provide predevelopment loans upon completion of risk assessment. Preference will be given to projects that address chronic homelessness and housing for extremely low-income households.

1. Predevelopment financing will be provided in the form of a loan if the funded activities take place prior to the acquisition of the project site. It will be necessary to fund these limited predevelopment activities through a predevelopment loan agreement.
2. Generally, predevelopment loans shall not exceed the lesser of \$50,000 or \$5,000 per assisted unit for each project. In each HTF Request for Proposals, the HAC may recommend higher limits for projects that are consistent with projects that meet the priorities identified by the HAC, as described in section VI.B.1, however, the amount of the loan shall not exceed the total predevelopment cost of the project.
3. The interest rate shall be three percent (3%), simple interest, for all loans. At the issuance of the RFP, the City Manager may establish a different interest rate for HTF loans in consultation with the HAC, if there should be a significant change in market rate interest charges.
4. The repayment term of a short-term predevelopment or bridge loan shall not exceed five (5) years, or the date of closing of the permanent financing for the project.
5. A predevelopment loan may be rolled into a longer-term HTF development loan. In this case, the term of the loan will be the same as the development loan.
6. Any requests for forgiveness of these loans will be reviewed by the HAC and decided by the City Council upon a recommendation from the HAC.

B. Development Loans (for Construction and/or Permanent Financing)

1. Construction and permanent financing will generally be provided in the form of a single development loan agreement if the project site has been acquired.
2. The interest rate shall be three percent (3%), simple interest, for all loans. At the issuance of the RFP, the City Manager may establish a different interest rate for HTF loans in consultation with the HAC, if there should be a significant change in market rate interest charges.
3. The maximum repayment term of all long-term loans from the fund shall not exceed 55 years, unless a longer term is required by other financing.
4. Early repayment of the loan is permitted as long as the affordability requirements included in the HTF regulatory agreement are maintained on the property.
5. Development Loan Agreements shall incorporate penalty and/or other types of provisions to ensure compliance with the affordability terms of the subsidy.
6. Development Loan Agreements may allow for loan repayment from a portion of the developments' Residual Receipts. The City shall review the project's accounts annually and determine if positive cash flow has been achieved.
7. When the total of all HTF assistance being recommended for funding of a project by the HAC and/or the City Manager exceeds 40 percent of project cost, the City Council shall make a finding that a higher level of funding is justified by the nature of the assisted project and the unavailability of alternative funding. In order to facilitate a project's moving forward and applying for other funding, the City Council may award an amount less than recommended by the HAC and the City Manager, but authorize the City Manager to award up to the full amount administratively if the additional funding is not received. Funding shall be no more than 100% of a project's total development cost.

VI. PROJECT SELECTION

A. Application Process

Except for loan applications described in part 1., 2., and 3. below, applications for Fund assistance will only be accepted during specified funding cycles. However, except for pre-development proposals, all applications, regardless of whether received through an RFP, or through an open application-taking process, shall be subject to the Evaluation Process contained in VI.B.

There will be a maximum of two (2) such funding cycles annually. The total funding cycle should be completed in approximately 4 months. The purpose of the funding cycles is to enhance the City's ability to choose projects that will maximize the use of Fund resources and the City's ability to meet its General Plan housing goals. The City shall be under no obligation to fund

any projects. Projects rejected during one funding cycle may be resubmitted and reconsidered in a later funding cycle.

1. Pre-development Applications

Applications for pre-development assistance may be accepted at any time. There shall be no more than \$100,000 or ten percent, whichever is less, of available Fund resources committed to pre-development activities in any single fiscal year. The HAC will review all applications for predevelopment loans. For loans up to \$50,000, the HAC will make funding recommendations to the City Manager for review and approval. For loans of more than \$50,000, the HAC will make funding recommendations to the City Council for review and approval, however, the amount of the loan shall not exceed the total predevelopment cost of the project. Receipt of a pre-development loan in no way commits the City to any future funding.

2. Applications with Firm State or Federal Funding Commitments

Applications for funding for projects with documented funding commitments from state and federal funds may also be accepted at any time if the developer can show that those commitments are in jeopardy unless the City commits HTF monies in a timely manner. In those cases, the evaluation process contained in Section VI. B. below will be followed, except for the timing requirements which may be reduced to expedite the process.

Although issuance of an RFP in conjunction with the expedited process is desirable, it is not required if it poses a threat to the receipt of State or Federal funds commitment. The applicant must provide documented validation of the threat it poses to the receipt of the funding commitment.

3. Set-Aside of Funds for an Open Application-taking Process

At the time of a HTF funding round, the Housing Advisory Commission may set aside up to one-quarter (1/4) of the funds in that funding round for allocation to proposals received through an open application process rather than through an RFP. Set-aside monies not allocated will be added to the following year's budget. In order to be considered for funding under this process, applicants must clearly document why their proposals cannot wait until the next funding cycle and what major benefit to the City that would be foregone if the proposal had to wait for the next RFP.

4. Property Inspection and Appraisal

A full and independent appraisal of the property shall be provided as part of a completed application unless the City determines that one is not needed. The City reserves the right to conduct an appraisal and site assessment of its own, on the property prior to commitment of funding.

B. Applications Evaluation

1. Responsible Reviewers

The City Manager and the Housing Advisory Commission (HAC) shall have primary responsibility for review and recommendation on HTF proposals. The HAC will set specific priorities for particular funding cycles based on analysis of local affordable housing needs and policies specified by the City. The HAC shall designate an HTF Subcommittee to review proposals in detail, and later make recommendations on the successful applications and the funding of these applications. The HAC and the HAC HTF Subcommittee shall review all applications for conformance to basic affordability requirements, experience and capacity of the developer, cost, financial feasibility and other established rating criteria.

2. Complete Applications

Complete applications shall provide all relevant information requested on the application form. The City Manager, or his/her designee, shall determine whether each application is complete.

Applications shall include, but shall not be limited to, all information necessary to determine compliance with funding source affordability and other requirements as necessary, technical and financial feasibility of the project (including all pro forma operating statements, development budgets, sources and uses of funds statements), number of units designed to be accessible for persons with mobility impairments or other disabilities, property appraisals (if staff or the HAC's HTF Subcommittee determines that they are required), the developer's experience, and other financial information. The application shall also quantify the need for the project by utilizing relevant economic and demographic statistics.

Applications which are incomplete at the time of intake will have ten (10) additional working days to provide the required materials from the time of notification. If these materials are not submitted at the end of that time, the application will not be considered during the current review cycle and the applicant will be formally notified in writing of the rejection of the application.

3. Application Review Process

Initial application review is the process which begins from the submission of completed applications. Application review process includes the following steps:

- a. City staff shall determine which applications are complete. City staff shall establish a log of eligible and complete applications.
- b. City staff shall then prepare a brief summary which provides a description of each of the proposed developments and the amount of

funds requested. Staff will provide copies of all complete applications for public review at the central Berkeley Public Library and at the Housing Department.

- c. Staff shall forward the summary to the Housing Advisory Commission, Planning Commission, Zoning Adjustments Board, the Commission on Disability, and the Berkeley Redevelopment Agency for their review and provide information about the complete applications available for public review. If requested, staff will forward full applications to the members of the HTF Subcommittee and to the HAC.
- d. The Planning Commission and the Commission on Disability shall submit their comments to the HAC within 30 days of receipt of the summary. Comments can also be presented by the Commission members at the public hearing described in section VI.B.3.e.
- e. The HAC shall conduct a public hearing on the projects under consideration during a particular funding cycle. Prior to the public hearing, except for housing projects for victims of domestic violence, written notice of the hearing shall be given to neighbors within a 300 foot radius of the perimeter of each project proposed for funding at least 10 business days in advance of the hearing. A notice of the hearing shall also be posted adjacent to each site proposed for funding.
- f. City staff shall review each application for conformance to these Guidelines and shall analyze project feasibility, developer capacity, project costs, and all other relevant technical concerns. This analysis will include a scored system, which will be developed by the Staff and HAC HTF Subcommittee. The first HAC HTF Subcommittee meeting to review the applications shall be scheduled within 14 days after the public hearing. HTF Subcommittee Meetings will be conducted in conformance with the Brown Act.
- g. The HTF Subcommittee shall review the staff prepared application summaries, and comments from the Planning Commission and the Commission on Disability. The HAC HTF Subcommittee will complete its review of the applications with Housing staff and make recommendations for review by the HAC.
- h. The HAC shall review the recommendations of the HAC HTF Subcommittee and provide its final recommendations to the City Council. HAC review of HTF applications shall be open to the public, with posted meetings and public hearings held in the evening in a disabled accessible venue in Berkeley.

- i. The City Manager shall make HTF funding recommendations to the City Council using the analysis provided by City staff, recommendations from the HAC, and the review findings from Planning Commission and the Commission on Disability. The City Manager's recommendation to Council shall be presented along with a staff report summarizing the HAC recommendations for HTF funding. Any report submitted by the HAC to City Council concerning recommendations for HTF funding shall follow the guidelines for submitting reports, which are included in the "City of Berkeley's Commissioners' Manual." The staff report to Council will also include a summary of the review findings made by the Planning Commission and the Commission on Disability. In preparing recommendations to the HAC and to the Council, the City Manager may obtain advice and counsel from financial and legal consultants, to assist staff in providing review in the evaluation of each application.

4. Changes to the Project

If a project developer proposes any significant changes to the project or the terms of funding after the HAC has submitted its recommendations on the project application to the Council but before Council action, the proposed change must first be reviewed by the HAC at a regular or special meeting prior to Council action. Following City Council approval of a funding allocation to a project, any significant changes to the project or the terms of funding must be reviewed by the HAC and approved by Council.

For purposes of these Guidelines, a significant change shall include: an increase in the HTF funding reservation; a major change to the project design that results in a change in the number of total project units by 10% or more; a change in the project developer (except for project transfer to affiliates of the original developer); a change in project tenure (change in project status from one of a rental units to one which includes units for ownership); a 10% increase of the total number of units to a less affordable level; an extension of the HTF funding reservation period; or a significant change to the conditions of funding imposed by the Council. This provision shall be included in all development loan agreements. This requirement for HAC review of project or funding changes may be waived only upon a two-thirds vote of Council.

5. Rejection Notification

The City reserves the right to reject any and all applications received. The City Manager shall have authority to reject any project that does not meet program Guidelines and priorities or does not demonstrate feasibility. The City shall give the applicant written notification of the rejection which specifies the basis upon which the proposal was rejected. The City Council shall also be notified of projects that met minimum eligibility

thresholds but were rejected for other reasons. Projects not funded may be resubmitted during a subsequent application period for reconsideration.

C. Project Consideration / Funding Criteria

Development Projects will be evaluated with respect to criteria that are consistent with priorities established during the HTF Request for Proposals process and City goals and policies.

The projects will be evaluated based on how well they meet the five key factors identified below: (1) Community Objectives; (2) Conformance with Adopted Plans and Policies; (3) Applicant Qualifications and Experience; (4) Cost Effectiveness and Feasibility; and (5) Housing Trust Fund / RFP Priorities.

1. Community Objectives:

- a. Housing affordability
 - i. benefit the highest percentage of low, very low, and extremely low-income persons;
 - ii. provide the lowest rents;
 - iii. include a greater percentage of affordable units;
 - iv. maintain longer periods of affordability.
- b. Housing linked with services for families and people with special needs including:
 - i. homeless people;
 - ii. disabled people;
 - iii. seniors;
 - iv. people with HIV/AIDS.
- c. Maximizing accessibility for persons with disabilities
- d. Providing housing for larger families or households with children
- e. Impact on the Community
 - i. provide neighborhood benefits;
 - ii. develop or rehabilitates blighted property;
 - iii. develop key revitalization site;
 - iv. repair vacant or uninhabitable units;
 - v. project design and amenities enhance neighborhood;
 - vi. promote or maintains economic diversity;
 - vii. provide housing in higher income areas;
 - viii. provide mixed income housing in lower income areas;
 - ix. provide integrated housing;

- x. contribute to employment that sustains construction worker households at or above area median income levels through utilization of registered apprentices from training programs that regularly enroll and graduate residents of Berkeley and the East Bay Green Corridor.
2. Conformance With Adopted Plans and Policies, including:
- a. the General Plan (including the Housing and Land Use Elements);
 - b. Area Plans;
 - c. the Consolidated Plan;
 - d. the Everyone Home Plan, adopted in May 2006.
3. Applicant Qualifications and Experience, including:
- a. developer experience;
 - b. successful history of property management, as appropriate;
 - c. experience and expertise of the project development team ;
 - d. experience and capacity of service provider, and appropriateness of proposed services plan, if the project proposes to serve a special needs population;
 - e. track record of successful construction management, including:
 - i. The Applicant's past projects are not encumbered by unexpired mechanics liens that were filed by or on behalf of workers with claims of unpaid wages or fringe benefits;
 - ii. The Applicant's past projects are not related to unsatisfied final judgments from the California Labor Commissioner.
 - f. quality of financial and asset management;
 - g. the lead staff, including the Project Manager and supervisory staff assigned to work on the current proposal, have the necessary experience, and that the Project Manager has the necessary time available;
 - h. the Developer is financially sound and will be able to sustain the costs of effectively following through with the current proposal. The past two years financial statements of the Developer / HTF Applicant shall be required and submitted at the time of the HTF Application;
 - i. evidence that the Development Team members (Property Manager, Attorney, Architect, Financial Consultant, Construction Company, etc.) have experience on other similar projects;
 - j. evidence that the Development Team's construction contractor(s) - with respect to projects completed within the past two years that required the payment of state prevailing wages - have utilized construction trades apprentices who are registered with the state of California at ratios of journeymen to apprentices that are consistent with California Labor Code section 1777.5.

4. Cost Effectiveness and Feasibility, including:
 - a. cost effectiveness of project;
 - b. cost per square foot;
 - c. cost per affordable unit;
 - d. reasonableness of developer fee;
 - e. loan to value ratio;
 - f. project site control,;
 - g. leveraging of other financing;
 - h. near-term ability to develop the project;
 - i. other financing commitments;
 - j. status of permits;
 - k. projects that use program funds as a match or leveraging tool to stimulate the use of conventional and below-market resources, including tax credits, state and federal funding programs, and/or other funding sources;
 - l. projects which provide the greatest benefit per dollar of funds spent.
 - m. projects that have other funding sources identified and committed.

5. Housing Trust Fund / RFP Priorities:

The HAC, in conjunction with the Housing Department and City Manager, will establish a set of housing priorities to be considered during each HTF application cycle. The staff will request recommendations for housing priorities from interested commissions; they will be considered by the HAC prior to establishing priorities. These HTF priorities will be listed in the HTF RFP.

D. Threshold Criteria and Other Conditions

1. Threshold Criteria

The following threshold criteria apply to all assistance from the Fund:

 - a. In order to receive funding, the applicant must agree to provide information required by the City to ensure compliance with Program requirements, certify developer capability, and comply with all applicable federal, state, and local laws.
 - b. Site control is required for all proposed projects except for predevelopment proposals.
 - c. Applicants must demonstrate that:
 - i. they have the capacity to develop and manage the project;
 - ii. the proposed project is feasible to develop and finance;
 - iii. they have attempted or are attempting to utilize all available private and public financing sources. Applicants must apply for all other potential sources of project funding including private mortgages to the extent supportable by project income.
 - d. All development costs must be reasonable.

- e. To ensure reasonableness of financing costs, applicants using tax credit allocations must be able to demonstrate use of a process designed to maximize the return from the tax credits. That process should allow for the best combination of HTF allocation, bridge loan, and fees.
 - f. Applicants must submit management plans and budgets that are found to be adequate for the proposed project.
 - g. Applicants must submit supportive services plans and budgets which are appropriate for the intended occupants.
2. Compliance with applicable laws and regulations
- a. The project must comply with all applicable local state, and federal laws and regulations, including but not limited to the Uniform Relocation Act and state and local relocation requirements, the Berkeley Rent Stabilization and Eviction for Good Cause Ordinance, as well as all building code requirements, and state and federal fair housing requirements.
 - b. Compliance with any additional condition(s) imposed by the source of funds to finance the Project.
 - c. HTF recipients and their subcontractors must be in conformity with the City's anti-discriminatory hiring policy as contained in Resolution No. 46,913-N.S, subject to state and federal law.
 - d. Loan/grant recipients must execute and implement a First Source Hiring agreement with the City of Berkeley and ensure that monitoring occurs during the development period.
3. Affirmative Marketing
An affirmative marketing plan acceptable to the City for filling of vacancies for the duration of the affordability period. The plan shall include procedures to maximize available housing to residents with disabilities.
4. Accessibility
The applicant must submit information on compliance with federal and state accessibility regulations related to housing. On all new developments, developers are encouraged to maximize accessibility by going beyond the minimum accessibility standards. In rehabilitated developments, developers are encouraged to include accessibility.

All assisted units in a mixed income project shall be reasonably dispersed throughout the project, generally comparable to the unassisted units and shall have full access to common areas and facilities. Units designed to be accessible to disabled persons shall be dispersed in a manner similar to the assisted units.

5. Water and Energy Efficiency

Applicants are encouraged to incorporate energy and water efficient technologies and construction techniques into the developments. Applicants are encouraged to include the use of sustainable materials and technologies to minimize negative ecological impacts of construction materials used.

For all new and substantial renovation projects where the per unit cost of renovation is \$25,000 and greater, and up to three stories, every effort should be made to comply with the standard for the EPA Home Performance with Energy Star for remodeled residential buildings and EPA Energy Star for new construction. All procedures used for this standard shall comply with the Energy Star guidelines for performance-based testing and remediation. Commercial spaces within the project should meet local energy codes (Title 24 part 6, or the Residential Energy Conservation Ordinance and Commercial Energy Conservation Ordinance as appropriate).

The Housing Department and HAC will consider incorporating HUD and local guidelines to achieve greater energy efficiency and standards into the HTF developments. Prior to the RFP being issued, the Energy Commission will submit energy and sustainable standards or priorities for consideration by the Housing Department and HAC, to incorporate into the RFP.

6. Prevailing Wages

Funded projects must include the payment of the General Prevailing Rate of Per Diem Wages, as defined in Title 8 of the California Code of Regulations, (Division 1, Chapter 8, Subchapter 3, "Payment of Prevailing Wages Upon Public Works") section 16000, to all workers who perform work that is covered by a State-published prevailing wage determination. The Applicant shall ensure that contract documents and any call for proposals or bids shall specify that all contractors and subcontractors are subject to the provisions of 1771.1 and 1771.4 of the Labor Code with respect to the project.

The construction contract shall require the contractor to maintain labor records as required by law, and to make these records available to any enforcement agency in the format prescribed by the California Labor Commissioner or other enforcement agency. Prior to the close of the Program loan, the Sponsor shall provide to the Department a certification that project contractors and subcontractors were currently registered and qualified to perform public work pursuant to Labor Code Section 1725.5, that prevailing wages have been paid or will be paid, and that payroll records are available, consistent with the requirements of Chapter 1 of Part 7 of Division 2 of the Labor Code.

7. Compliance and Monitoring

- a. Development loan agreements shall incorporate full disclosure requirements for all loan recipients to facilitate the City's internal monitoring of project and loan performance.
- b. The City will set standards for maintenance and establishment of maintenance reserves. Loan conditions will establish a right for the City to conduct periodic management audits and on-site visits, and mandate building-quality self-inspections annually by the owners.
- c. Owners of rental properties will be required to provide annual verification as requested by the City to ensure that affordability and occupancy requirements are enforced and maintained.