



Office of the City Manager

CONSENT CALENDAR
June 11, 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: Request for Proposals to Sell Single Family Home at 1654 Fifth Street to Operate as Homeless Housing

RECOMMENDATION

Direct the City Manager to issue a Request for Proposals to select a qualified organization to purchase the single family home at 1654 Fifth Street to operate as housing for the homeless.

FISCAL IMPACTS OF RECOMMENDATION

This property is currently vacant and incurs costs for ongoing monitoring and landscape maintenance. There has not been an appraisal of the property to determine a market rate value. Market estimates of surrounding properties indicate a potential value between \$600,000 and \$750,000, considering significant rehabilitation needs. However, restricting the future use to homeless housing significantly reduces the property's value. Staff is recommending that bidders propose a purchase price and rehabilitation plan, and the City record a deed restriction at the time of sale for a minimum of 30 years.

The property was acquired with CDBG funds, which restricts revenue from its sale to CDBG-eligible uses. Staff recommend allocating any revenue for use in the Housing Trust Fund (HTF) program, which includes CDBG-eligible activities such as housing acquisition and rehabilitation.

CURRENT SITUATION AND ITS EFFECTS

Selecting a qualified organization to purchase the City-owned property to provide homeless housing for the Berkeley community is a Strategic Plan Priority Project, advancing our goals to create affordable housing and housing support service for our most vulnerable community members.

The City acquired the single family home at 1654 Fifth Street as the Successor Agency to Redevelopment. The former Redevelopment Agency intended to sell this property, but the process was halted due to redevelopment's dissolution statewide. The property does not have the sufficient size or appropriate zoning to develop new affordable housing efficiently, and any new construction would be small scale and require

additional City subsidies beyond the City's standard contributions. The City also is incurring ongoing maintenance costs and liabilities while it holds the property.

City staff initially recommended selling this property at market rate and allocating the proceeds to support Housing Trust Fund program activities at the September 25, 2018 City Council meeting. This recommendation was supported by the Housing Advisory Commission at their July 11, 2018 meeting. The City Council referred the item to the Agenda Committee for future scheduling. Staff identified the following approach as an alternative way to respond to the housing crisis as expressed by Council.

Staff's analysis of the site's potential for the new construction of affordable housing determined it is not feasible due to size constraints and other limitations. A market rate sale was initially recommended in order to maximize funds to support the City's affordable housing priorities for new construction and rehabilitation of HTF-supported properties. However, issuing an RFP for purchase by a homeless-serving organization will provide the City an opportunity to first determine if the home can be repurposed to house and serve homeless or other housing vulnerable populations more cost effectively while still reserving the potential for a return on the City's CDBG investment.

Staff recommend using the RFP process to select a qualified organization for the disposition of the property for a positive value. This recommendation is consistent with the direction of Redevelopment Agency's Oversight Board and the direction of the State Department of Finance, as well as the Housing Advisory Commission's recommendation. Selling the property to a qualified organization will also remove the City's ongoing liabilities and return the property to an active use.

The RFP will require bidders to provide a positive sales value contingent on proposed services as well as immediate and ongoing rehabilitation and maintenance costs. HHCS' initial estimate for rehabilitation needs is approximately \$94,000. The property will be sold in "as is" condition, and proposals will be required to include a rehabilitation plan. Interested bidders will have the opportunity to inspect the property during the RFP period. The property is currently zoned to accommodate one household. A group living accommodation to serve multiple residents will require a use permit. It will be the bidder's responsibility to secure all permits required by their proposal as a condition of the sale.

Staff are proposing to complete a technical review of each application's organizational capacity and feasibility, and providing this information to the Housing Advisory Commission for evaluation. Staff would then provide a recommendation and a proposed disposition agreement to Council for approval. The disposition agreement would establish conditions of sale including the sale price, the requirement to obtain any needed land use approvals, the rehabilitation plan, and a timeframe for meeting these conditions.

BACKGROUND

This property contains a three bedroom, two bathroom single family home on a 5,353 square foot lot. The property is zoned MU-R/MULI. Records for this property between 1969 and 1986 are not readily available. In 1987, the property was rented to low-income tenants. In 1993, the property was renovated and the tenants were provided a new lease with an option to purchase after ten years. The tenants did not secure financing when the Redevelopment Agency provided the option to purchase in 2004. In 2006 and 2007, the Agency solicited proposals for non-profit affordable housing developers to determine the viability of sale, however response was limited. NCLT submitted an offer to purchase, but the Redevelopment Agency rescinded its offer to sell following NCLT's bankruptcy filing. In 2010, the tenants were relocated from the site. In 2011, the Agency began proceedings for a market-rate sale of the property, but was forced to abandon its efforts following the adoption of the redevelopment dissolution legislation. The house has remained vacant since this time.

Following the dissolution of all California redevelopment agencies, the Berkeley Redevelopment Agency prepared a state-mandated Long Range Development Management Plan (LRDMP) which the City Council, acting as the Successor Agency, adopted in 2014. The LRDMP included the recommendation to sell this property at market rate. In 2015, for reasons related to Redevelopment law and the dissolution process, and acting at the direction of the State Department of Finance, the Redevelopment Agency's Oversight Board removed 1654 Fifth Street from the LRDMP and listed it as a housing asset to facilitate its disposition on the market.

ENVIRONMENTAL SUSTAINABILITY

Adaptive reuse of existing structures is generally considered to promote environmental sustainability.

RATIONALE FOR RECOMMENDATION

Issuing an RFP to sell the property to a qualified organization will: 1) leverage City-owned property to facilitate housing and services for homeless and/or housing vulnerable residents; 2) be consistent with the approvals and recommendations of the Redevelopment Oversight Board, State Department of Finance, and Housing Advisory Commission; and 3) provide CDBG revenue to support additional affordable housing priorities, including acquisition and preservation.

ALTERNATIVE ACTIONS CONSIDERED

The City could consider:

- Leasing the property instead of selling it. Staff are not recommending this option because it is not consistent with Redevelopment's plans, and maintaining ownership of a single family home is not in the best long term interest of the City due to ongoing liabilities and the required staff time for administration relative to the property's size and capacity.

- Selling the property at market rate without a consideration for homeless housing. This option would yield a higher return on the City's CDBG investment that would be applied to the City's affordable housing priorities via the Housing Trust Fund program, but would not guarantee affordable housing offered at this site. Staff initially proposed this recommendation to maximize the support for the City's affordable housing goals and rehabilitation and preservation needs.

CONTACT PERSON

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