



Office of the City Manager

CONSENT CALENDAR  
December 14, 2021

To: Honorable Mayor and Members of the City Council  
 From: Dee Williams-Ridley, City Manager  
 Submitted by: Lisa Warhuus, Director, Health, Housing & Community Services  
 Subject: 2021 Educator Housing Notice of Funding Availability Funding Reservation

RECOMMENDATION

Adopt a Resolution to:

1. Reserve \$24.5M in Measure O affordable housing bond funds for the BUSD Workforce Housing project (1701 San Pablo / Satellite Affordable Housing Associates / Abode Communities) with the following conditions:
  - a) Waive Section III.A.1 of the Housing Trust Fund Guidelines to allow the project to serve higher affordability levels, up to 120% of area median income (AMI) in order to meet the needs of BUSD educators; and
  - b) Condition disbursement of funding on site control.
  
2. Authorize the City Manager to execute all original or amended documents or agreements to effectuate these actions.

FISCAL IMPACTS OF RECOMMENDATION

The recommendation would reserve \$24.5 million in Measure O bond funds from the second issuance (anticipated in April 2022).

CURRENT SITUATION AND ITS EFFECTS

The City issued a Notice of Funding Availability (NOFA) on May 25, 2021 to solicit a proposal for an educator housing project to be developed on the Berkeley Adult School property at 1701 San Pablo Avenue. Educator housing will serve school district employees including classified staff, certificated teachers, and other administrative support staff. Council established the requirement that only the development team selected by Berkeley Unified School District (BUSD) was eligible to apply. The selected development team of Satellite Affordable Housing Associates (SAHA) and Abode Communities (Adobe) submitted an application on the NOFA due date of September 23, 2021.

At their November 4, 2021 meeting, the Housing Advisory Commission (HAC) supported the staff recommendation to fund the proposed project as described in the recommendation.

Reserving funds for affordable housing projects is a Strategic Plan Priority Project; advancing our goal to create affordable housing and housing support service for our most vulnerable community members and champion and demonstrate social and racial equity.

### BACKGROUND

In November 2018, Berkeley voters approved Measure O, a \$135 million bond measure to support the development and preservation of affordable housing. The second bond issuance is expected to be \$40 million. In December 2019, City Council reserved \$15.432 million of the second issuance of Measure O bond funds for Maudelle Miller Shirek Community (2001 Ashby) and established a priority for a BUSD-sponsored educator housing project for the remaining funds in that issuance. Council authorized the Educator Housing NOFA in April 2021, with leasing preference for BUSD employees and their households, and staff estimate that approximately \$24.5M is available for an educator housing project.

Staff evaluated the application according to the following criteria identified in the NOFA:

- Developer Capacity,
- Project Feasibility,
- Local Needs and Priorities, and
- Readiness to Proceed.

At its November 4, 2021 meeting, the HAC took the following action:

Action: M/S/C (Simon-Weisberg/Johnson) to recommend that Council fund the BUSD Workforce Housing project (1701 San Pablo / SAHA / Abode) at \$24.5M with the following conditions:

- Waive Section III.A.1 of the Housing Trust Fund Guidelines to allow the project to serve higher affordability levels in order to meet the needs of BUSD educators.
- Condition disbursement of funding on site control.

Vote: Ayes: Fain, Johnson, Lee-Egan, Potter, Sanidad, Sargent, and Simon-Weisberg.  
Noes: None. Abstain: None. Absent: Mendonca (approved) and Rodriguez (unapproved).

### **BUSD Workforce Housing – Satellite Affordable Housing Associates (SAHA) and Abode Communities (Abode)**

SAHA and Abode requested \$24.5M to develop affordable educator housing at 1701 San Pablo Avenue.

BUSD issued a Request for Qualifications in March 2021 to select a development team to build educator housing on the Berkeley Adult School site, and selected SAHA and

Abode in May 2021. BUSD and the development team are negotiating an option to ground lease.

SAHA and Abode will create a joint venture limited liability corporation (LLC) and together will develop a 110-unit project with a leasing preference for BUSD employees and their households. The project would include a mix of 1-, 2-, and 3-bedroom units serving households earning between 30% and 120% of the Area Median Income (AMI). The proposed unit mix and affordability levels are based on a 2017 survey of BUSD staff. The development team will issue an updated survey to assess current need, and may revise the unit mix and proposed affordability accordingly.

The proposed funding plan includes 4% tax credits, Infill Infrastructure Grant funding from the state, and California Housing Finance Agency's (CalHFA) Mixed Income Program (MIP) funds. The latter is highly competitive, and most of the awards to date have gone to for-profit developers. Although the proposed costs for this project are on par with other affordable projects, CalHFA prioritizes cost containment and the BUSD Workforce Housing may not score as well as a prevailing wage job. The development team could lower the MIP request (currently \$6.6M), but would need to identify an eligible source of financing to fill that gap.

The City's funding reservation is conditioned on the development team securing entitlements and full project funding within two years. The development team anticipates that the entitlements and financing could be secured within the next year, with construction lasting from spring 2023 to spring 2025.

#### ENVIRONMENTAL SUSTAINABILITY AND CLIMATE IMPACTS

The development team plans to incorporate a wide range of environmentally sustainable features into the project design, addressing many of the City's Climate Action Plan building policies. The project will be built to either LEED Gold or GreenPoint Gold standards.

#### RATIONALE FOR RECOMMENDATION

In 2019, Council identified educator housing as a priority for the second issuance of Measure O bond funds in order to support local school district employees who may otherwise be priced out of market-rate housing in Berkeley. The proposed unit mix and affordability levels match the need of BUSD employees and their households, and would offer restricted affordable units to moderate- income levels (up to 120% AMI) not typically served through the Housing Trust Fund program.

#### ALTERNATIVE ACTIONS CONSIDERED

No alternative actions considered.

CONTACT PERSON

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

Attachments:

1: Resolution

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

APPROVAL OF THE 2021 EDUCATOR HOUSING NOTICE OF FUNDING  
AVAILABILITY FUNDING RESERVATION

WHEREAS, the City Council established a Housing Trust Fund (HTF) program 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 HTF 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, City Council adopted HTF Guidelines (the "Guidelines") as revised on January 19, 2021, and authorized the City Manager to implement the HTF Program in accordance with the Guidelines; and

WHEREAS, on November 6, 2018, Berkeley voters passed Measure O, a \$135 million bond measure to support the development and preservation of affordable housing; and

WHEREAS, the City's bond counsel indicated that approximately \$40 million is available for the second issuance of Measure O Bonds; and

WHEREAS, on December 10, 2019 the City Council reserved \$15,432,000 from the second issuance of Measure O Bonds for Maudelle Miller Shirek Community (2001 Ashby), and indicated that a Berkeley Unified School District (BUSD) sponsored educator housing project would get first priority at the remaining funds in that second issuance; and

WHEREAS, the Guidelines currently require developments that receive HTF funding to restrict 60% of all units at or below 60% of the area median income, which would exclude some households employed by BUSD; and

WHEREAS, on April 20, 2021 the City Council approved issuing a Notice of Funding Availability (NOFA) through the HTF program to allocate up to \$24.5 million in Measure O Bond funds to a BUSD-sponsored affordable housing development; and

WHEREAS, the NOFA was only open to the development team selected by BUSD to develop affordable educator housing; and

WHEREAS, the City issued an RFP on May 25, 2021 and announced acceptance of applications for funding from the Housing Trust Fund until September 23, 2021, and subsequently received one response; and

December 14, 2021

WHEREAS, on November 4, 2021 the HAC approved a motion recommending a funding reservation for Satellite Affordable Housing Associates' and Abode Communities' BUSD Workforce Housing project (1701 San Pablo), conditioned on the development team's site control.

WHEREAS, the HAC's motion included a recommendation to waive a section of the Housing Trust Fund Guidelines in order to allow higher affordability levels in the project.

NOW THEREFORE, BE IT RESOLVED by the Council of the City of Berkeley that the Council approves the \$24.5 million funding reservation for Satellite Affordable Housing Associates' and Abode Communities' BUSD Workforce Housing project.

BE IT FURTHER RESOLVED that the Council waives the requirements of Section III.A.1 of the Housing Trust Fund Guidelines to allow affordability levels of up to 120% of the area median income, to reflect the incomes and needs of BUSD educators.

BE IT FURTHER RESOLVED that development loan funds shall be reserved for a period of no more than 24 months from the date of this Resolution, contingent on the developers' obtaining all required land use approvals and securing commitments for full project funding that the City Manager or her designee deems sufficient within the reservation period.

BE IT FURTHER RESOLVED that all funding reservations are conditioned upon the completion of the environmental review process, except as authorized by 24 CFR, Part 58, and that should HOME and/or CDBG funds constitute a portion of the funding for any project, a final commitment of HOME and/or CDBG funds shall occur only upon the satisfactory completion of the appropriate level of environmental review and also upon the receipt of approval of the request for release of funds and related certification from the U.S. Department of Housing and Urban Development, when applicable. The funding reservation for any of the HOME and/or CDBG funded projects is conditioned upon the City of Berkeley's determination to proceed with, modify, or cancel the project based on the results of subsequent environmental review under the National Environmental Policy Act.

BE IT FURTHER RESOLVED that the making of each loan shall be contingent on and subject to such other appropriate terms and conditions as the City Manager or her designee may establish.

BE IT FURTHER RESOLVED the City Manager, or her designee, is hereby authorized to execute all original or amended documents or agreements to effectuate this action; a signed copy of said documents, agreements and any amendments will be kept on file in the Office of City Clerk.