



Office of the City Manager

CONSENT CALENDAR
December 13, 2022

To: Honorable Mayor and Members of the City Council
 From: Dee Williams-Ridley, City Manager
 Submitted by: Lisa Warhuus, Director, Health, Housing and Community Services
 Subject: Reserving Predevelopment Funds for the Development of Affordable Housing at the North Berkeley BART Station.

RECOMMENDATION

Adopt a Resolution:

1. Reserving \$500,000 for the selected development team to support the development of affordable housing at the North Berkeley BART site, contingent on the team's selection and approval by the BART Board at its December 1, 2022 meeting, and the team's timely submission of a completed predevelopment application demonstrating they meet the City's funding criteria.
2. Authorizing the City Manager to execute all original or amended documents or agreements to effectuate this action.

FISCAL IMPACTS OF RECOMMENDATION

City Council reserved \$53M in funding for the BART sites at their April 27, 2021 meeting through Resolution 69,833-N.S. Of that total reservation, \$13M will come from Affordable Housing Mitigation Fees, and \$40M will come from Measure O. The Measure O portion will be available in the third and fourth issuances, expected in 2025 and 2027. Predevelopment funding for the BART sites, including this current request for \$500,000, will come from Affordable Housing Mitigation Fees already collected. Funding will be recommended for appropriation through the second amendment to the appropriations ordinance in the Affordable Housing Mitigation Fee fund (Fund 120). In the event that a different development team is selected by the BART Board, there will be no fiscal impacts until the second phase of predevelopment.

CURRENT SITUATION AND ITS EFFECTS

In order to minimize project delays, this report was drafted prior to the completion of the developer selection process and will be withdrawn if a development team that did not request predevelopment funds is selected.

BART issued a Request for Qualifications (RFQ) in July 2022 to select a team to develop housing at the North Berkeley BART station site. Through the RFQ, the City offered up to \$2M in predevelopment funding to encourage nonprofit participation. The

predevelopment funding was authorized by Council on April 27, 2021 with Resolution 69,833-N.S. The predevelopment funds are available in two phases: 1) up to \$500,000 to support the nonprofit partner's share of the master planning and predevelopment costs, and 2) up to \$1.5M to support predevelopment activities for specific affordable housing projects located at the North Berkeley BART site.

Four development teams responded to the RFQ, including a team comprised of BRIDGE Housing Corporation (BRIDGE), East Bay Asian Local Development Corporation (EBALDC), Berkeley Food and Housing Project (BFHP) and Avalon. On behalf of the development team, BRIDGE applied for \$500,000 in predevelopment funding. The BRIDGE team was the only development team that applied for the phase 1 predevelopment funds. Those funds may be used to pay for the nonprofit development team members' collective share of the early costs related to the BART Exclusive Negotiating Agreement (ENA), station access study, and other master planning and predevelopment costs. BRIDGE indicated in their application that, if selected, the team (including Avalon) plans to leverage approximately \$840,000 in their own resources to pay the balance of those costs.

A selection panel with equal representation of City and BART staff reviewed the qualifications of all teams, interviewed the team leads, and attended the public presentations on November 10, 2022. Based on their cumulative score, the panel selected the BRIDGE team, and the BART Board of Supervisors considered entering into an Exclusive Negotiating Agreement (ENA) with that team on December 1, 2022.

Funding predevelopment activities at North Berkeley BART is a Strategic Plan Priority Project, advancing our goal to create affordable housing and housing support service for our most vulnerable community members.

BACKGROUND

For the past few years, the City has been working closely with BART on the development of the North Berkeley and Ashby BART sites. The City and BART entered into a Memorandum of Understanding in March 2020 that provided a framework for the collaboration, including processes for public participation and an estimated timeline for selecting developers. The MOU was amended in December 2020 to reflect schedule delays due to the pandemic. The City created a BART Community Advisory Group (CAG), made up of 15 members of the public to develop a vision for affordable housing, land use, station access, building form, and new public spaces. The CAG met throughout 2020 and 2021 at public meetings and community workshops, and provided feedback on the new zoning regulations impacting the North Berkeley BART site. The City and BART entered into a Memorandum of Agreement (MOA) in June 2022 to address additional aspects of the collaboration.

The CAG was instrumental in shaping the City - BART Joint Vision and Priorities for Transit-Oriented Development for Ashby and North Berkeley Stations (JVP). The JVP

articulates the shared goals of the City and BART, including the goal of achieving at least 35% affordability at each site.

To support the shared affordable housing goal at the BART sites, City Council set aside \$53M through Resolution 69,833-N.S. on April 27, 2021. Of that, \$13M will come from Affordable Housing Mitigation Fees and \$40M from Measure O. The Measure O funds will be available after the third and fourth issuances, currently anticipated for 2025 and 2027. Council also indicated that a portion of the BART set-aside funds could be used to support predevelopment activities. Predevelopment funding sources are limited, and by offering predevelopment loans with favorable terms, the City and BART were hoping to attract more nonprofit developers. The predevelopment funds are only available to nonprofits, to cover their proportional share of master planning costs.

ENVIRONMENTAL SUSTAINABILITY AND CLIMATE IMPACTS

Creating new affordable housing in Berkeley that allows lower income individuals and families to live closer to transit will advance the goal of making the City more economically and racially equitable, and reduces greenhouse gas emissions by reducing vehicle-miles-traveled and decreasing reliance on personal vehicles. New affordable housing developments are typically built to third-party green building standards (either GreenPoint or LEED Gold).

RATIONALE FOR RECOMMENDATION

There are early and significant costs associated with transforming the current parking lot at the North Berkeley BART station to a vibrant residential community serving a mix of incomes and household types. The selected developer team will need to pay BART's ENA fees, station access fees, and other costs related to master planning, infrastructure, and predevelopment work. There are few sources of predevelopment funding available, and most come with interest rates higher than what the City offers which would add costs to creating affordable housing.

ALTERNATIVE ACTIONS CONSIDERED

Since the City agreed in the MOA and RFQ to make this funding available for the selected nonprofit developer, and since the BRIDGE team qualifies for this funding under the City's Housing Trust Fund criteria, staff did not consider any alternative actions. However, the City could choose not to provide predevelopment support at this time. The BRIDGE team would need to secure other sources of financing, which may have less favorable loan terms than the City's predevelopment loan. This would add costs to the project, and make it more expensive to deliver new affordable housing units.

CONTACT PERSON

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

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Development of Affordable Housing at the North Berkeley BART Station

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Attachments:
1: Resolution

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

RESERVING AFFORDABLE HOUSING MITIGATION FEES FOR
PREDEVELOPMENT AT THE NORTH BERKELEY BART SITE

WHEREAS, the City Council established a Housing Trust Fund Program (HTF) 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 (City), 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 and BART are collaborating on the development of the North Berkeley BART site, and articulated shared goals in a Memorandum of Understanding, Memorandum of Agreement, and Joint Vision and Priorities for Transit-Oriented Development for Ashby and North Berkeley Stations; and

WHEREAS, the City and BART are committed to achieving a minimum of 35% affordable housing at each BART site; and

WHEREAS, on April 27, 2021, with Resolution 69,883-N.S., the City Council reserved \$53 million, to be divided between the two BART site, as the subsidy needed to achieve 35% affordability, and allowed for a portion of that funding to be considered for predevelopment costs associated with affordable housing; and

WHEREAS, the \$53 million includes \$40 million in Measure O funds, and \$13 million in Affordable Housing Mitigation Fees; and

WHEREAS, in July 2022, BART issued a Request for Qualifications (RFQ) to select a team to develop new housing at the North Berkeley BART site and created an RFQ selection panel with equal representation from the City and BART; and

WHEREAS, four teams responded to the RFQ, including a team made up BRIDGE Housing Corporation (BRIDGE), East Bay Asian Local Development Corporation, Berkeley Food and Housing Project, and Avalon; and

WHEREAS, after a competitive process during which the RFQ selection panel scored teams on their qualifications, an interview, and a public presentation, the RFQ selection panel chose the BRIDGE team; and

WHEREAS, the BART Board of Supervisors confirmed that selection on December 1, 2022; and

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WHEREAS, the BRIDGE team requested \$500,000 in predevelopment funding from the City's set-aside funds; and

WHEREAS, the City's BART set-aside of Measure O funds will be available after the third and fourth issuances, currently projected for 2025 and 2027, and therefore any predevelopment support for the BART projects will be allocated from the \$13 million set-aside of Affordable Housing Mitigation Fees.

NOW THEREFORE, BE IT RESOLVED by the Council of the City of Berkeley that it approves the reservation of \$500,000 of Affordable Housing Mitigation Fees (Fund 120) to BRIDGE Housing Corporation or its affiliate to support master planning and predevelopment activities related to the development of affordable housing at the North Berkeley BART site, contingent on the selection and approval of this team by the BART Board at its December 1, 2022 meeting.

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.