



Office of the City Manager

REVISED AGENDA MATERIAL for Supplemental Packet 1

Meeting Date: June 25, 2024

Item Number: 49

Item Description: Reserving \$24.5 Million to Support the Development of Affordable Housing at the North Berkeley BART Site

Submitted by: Scott Gilman, Interim Director, Health, Housing, and Community Services

The enclosed revisions to the staff report and resolution reflect the North Berkeley BART development team's need for an additional advance of predevelopment funds to support the nonprofit developers' share of master planning and predevelopment costs.

The original report included a recommendation to make \$2M of the \$24.5M funding reservation available to the developers for predevelopment, but only if the team is unsuccessful securing predevelopment funding through the Metropolitan Transportation Commission's (MTC) priority sites program. The revisions would result in the following changes to the recommendation:

- Increase the amount of funds available for predevelopment from \$2M to \$3M
- Allow the nonprofit developers access to those additional predevelopment funds regardless of whether they secure MTC financing.

These revisions do not impact the overall funding available to the North Berkeley BART affordable projects. The nonprofits partnering on the development of the North Berkeley BART site will continue to pursue opportunities to leverage the City's funding.



Office of the City Manager

ACTION CALENDAR
June 25, 2024

To: Honorable Mayor and Members of the City Council
From: Dee Williams-Ridley, City Manager
Submitted by: Scott Gilman, Interim Director, Health, Housing, and Community Services
Subject: Reserving \$24.5 Million to Support the Development of Affordable Housing at the North Berkeley BART Site

RECOMMENDATION

Adopt a Resolution:

1. Reserving \$24.5 Million for the following affordable housing developments at the North Berkeley BART (NBB) site:
 - a. NBB BRIDGE Phase 1 Project (BRIDGE Housing Corporation) at \$10,657,975
 - b. NBB EBALDC Project (East Bay Asian Local Development Corporation) at \$5,473,534
 - c. NBB BRIDGE Insight PSH Project (BRIDGE Housing Corporation and Insight Housing) at 8,368,491
2. Waiving Section I.A.1 of the Housing Trust Fund Guidelines for Applicant Experience for Insight Housing.
3. Authorizing the City Manager or designee to disburse up to ~~\$2M-3M~~ of the \$24.5M reservation for predevelopment, ~~if the development is unsuccessful in securing predevelopment funding from the Metropolitan Transportation Commission's Priority Sites Program.~~
4. Authorizing the City Manager or designee 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 Ashby and North Berkeley BART sites at their April 27, 2021 meeting through Resolution 69,833-N.S. Of that total \$53M 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. Up to \$26.5M – half of the BART set-aside – is available to the North Berkeley BART affordable housing projects.

City Council previously authorized advancing \$2M in Affordable Housing Mitigation Fees to support predevelopment activities for the North Berkeley BART projects through

Resolutions No. 70,643-N.S. and 70,991-N.S, as there are limited sources of funding for early project costs. The attached resolution would reserve the remaining \$24.5M for the three affordable projects in the first phase of the North Berkeley BART development. Staff will determine the exact mix of funds from Measure O (Fund 512) and Affordable Housing Mitigation Fee (Fund 120) for each project prior to loan closing. The funding is subject to appropriation in the FY 2025 budget.

CURRENT SITUATION AND ITS EFFECTS

North Berkeley Housing Partners is the team of developers selected through a joint process with BART and the City. It includes BRIDGE Housing Corporation (BRIDGE, acting as the master developer), East Bay Asian Local Development Corporation (EBALDC), Insight Housing (Insight), and AvalonBay Communities (Avalon). Avalon is a market-rate developer and will not receive City subsidy.

BRIDGE, EBALDC, and Insight submitted a combined request for \$24.5 Million in development funds for their respective affordable housing projects anticipated to be developed in the first phase of at the North Berkeley BART site. The City's Housing Trust Fund Guidelines and the Affordable Housing Framework for North Berkeley BART establish standards for the projects. The North Berkeley Housing Partners team proposes to exceed the City and BART's sitewide requirement that at least 35% of new housing be affordable to households earning an average of 60% of Area Median Income. The funding reservation would support the creation of 265 new units of affordable housing that will be available to households earning up to 30-70% of the Area Median Income.

The affordable developers are pursuing up to \$3M in predevelopment funds through Metropolitan Transportation Commission's (MTC) Priority Sites Program. MTC has not finalized its funding recommendations as of the writing of this report. ~~If the request for MTC funds is unsuccessful,~~ The North Berkeley Housing Partners also requested that up to \$2M-3M of the \$24.5M funding reservation may be made available for predevelopment at the discretion of the City Manager or designee. Any additional predevelopment award from the City would be conditioned on performance metrics established by Housing and Community Services staff. A portion of the existing predevelopment loan will be rolled into each affordable project's development loan, in proportion to each project's share of the total affordable units at the North Berkeley BART site, with the exact proration to be determined by the North Berkeley Housing Partners.

BACKGROUND

To support the City and BART's shared affordable housing goals, City Council set aside \$53M for affordable housing development. Council also indicated that a portion of the BART set-aside funds could be used for predevelopment activities including master planning, as funding sources for early project costs are limited. In July 2022, the City and BART issued a Request for Qualifications (RFQ) to select a team to develop

housing at the North Berkeley BART site. The City and BART selected North Berkeley Housing Partners, with BRIDGE acting as the master developer. Through the RFQ, the City offered up to \$2M in predevelopment funding to cover the nonprofit developers’ proportional share of master planning costs.

North Berkeley Phase 1 Projects Overview

	NBB BRIDGE Phase 1 Project	NBB EBALDC Project	NBB BRIDGE Insight PSH Project
Total Units	120	60	85
Unit Sizes	studios, 1brs, 2brs, 3brs	studios, 1brs, 2brs, 3brs	studios, 1brs
Housing Type	family housing	family housing + permanent supportive housing for formerly homeless individuals	permanent supportive housing for formerly homeless individuals
Affordability (% of Area Median Income)	30-70% AMI	20-60% AMI	30-50% AMI
Total Development Cost (TDC)	\$109,346,858	\$66,364,289	\$84,178,808
TDC/Unit	\$911,224	\$1,106,071	\$990,339
Total City Subsidy	\$11,563,636	\$5,926,364	\$9,010,000
City Subsidy/Unit	\$96,364	\$98,773	\$106,000

While high, the estimated development costs are in line with other City-funded projects that are currently under construction or in predevelopment. In recent years, the City subsidy for projects has averaged \$200k per unit, and up to \$250k per unit for one project. Thanks in part to the discounted ground lease from BART, the City subsidy for the North Berkeley BART phase 1 projects is considerably lower than the recent average.

ENVIRONMENTAL SUSTAINABILITY AND CLIMATE IMPACTS

Creating new affordable housing in Berkeley that allows lower income individuals and families to live closer to transit will make the City more economically and racially equitable, and reduce 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, these projects will achieve GreenPoint Rated Gold standards.

RATIONALE FOR RECOMMENDATION

The development team was selected through a competitive process. The proposed development exceeds affordability targets. The proposed development benefited from an intensive community planning process. The City's total investment of \$26.5 Million dollars will enable leverage of meaningful State funding for the creation of new affordable housing at the North Berkeley BART site.

ALTERNATIVE ACTIONS CONSIDERED

Since the City agreed in its Memorandum of Agreement with BART and the RFQ to make this funding available for the selected nonprofit developer, and since the proposed affordable housing projects qualify for this funding under the City's Housing Trust Fund criteria, staff did not consider any alternative actions.

CONTACT PERSON

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

Attachments:
1: Resolution

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

RESERVING \$24.5 MILLION TO SUPPORT THE DEVELOPMENT OF AFFORDABLE HOUSING AT THE NORTH BERKELEY BART STATION

WHEREAS, City Council established a Housing Trust Fund Program (HTF) 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 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 sites, as the local 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, through the RFQ, the City indicated that up to \$2 million of the \$53 million funding reservation could be available for predevelopment for each BART site; and

WHEREAS, on December 1, 2022, the BART Board of Supervisors approved the RFQ panel's recommendation to select a development team made up of BRIDGE Housing Corporation (BRIDGE), East Bay Asian Local Development Corporation (EBALDC), Insight Housing (Insight), and AvalonBay Communities (collectively, the North Berkeley Housing Partners); and

WHEREAS, the North Berkeley Bart development team propose to develop 50% of the residential units at the North Berkeley BART as affordable to lower-income persons; and

WHEREAS, City Council reserved \$2,000,000 in predevelopment funding for the North Berkeley BART projects with Resolutions No. 70,643-N.S. and 70-991-N.S.; and

WHEREAS, BRIDGE, EBALDC, and Insight requested a combined \$24.5M in development funding to support their affordable projects at North Berkeley BART; and

WHEREAS, Insight intends to partner with BRIDGE on its NBB BRIDGE Insight PSH Project, Insight does not meet the threshold criteria for developer experience as described in Section I.A.1 of the Housing Trust Fund Guidelines on its own; and

WHEREAS, the City, BART and the North Berkeley Housing Partners shall continue to collaborate on the development of North Berkeley Bart site.

NOW THEREFORE, BE IT RESOLVED by the Council of the City of Berkeley that the Council approves the following reservations for the North Berkeley Bart affordable housing projects:

- \$10,563,635 to BRIDGE Housing Corporation (BRIDGE) for the NBB BRIDGE Phase 1 Project;
- \$5,473,534 to East Bay Asian Local Development Corporation for the NBB EBALDC Project; and
- \$8,368,491 for NBB BRIDGE Insight PSH Project (BRIDGE Housing Corporation and Insight Housing)

BE IT FURTHER RESOLVED that the City Manager may incorporate a portion of the existing predevelopment loan into the new permanent loans resulting from this resolution, in proportion to each project's share of the affordable units.

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 requirements of Section I.A.1 of the HTF Guidelines shall be waived and Insight approved as an eligible developer with demonstrated capacity to complete the North Berkeley Bart, though it has not completed the number of projects required by the developer eligibility criteria.

BE IT FURTHER RESOLVED the City Manager, or designee, is hereby authorized to make no more than \$23,000,000 dollars of the \$24,500,000 reservation available for predevelopment activities at North Berkeley BART, ~~if the North Berkeley Housing Partners are unsuccessful at securing other predevelopment funding~~, and would be disbursed based on performance metrics and conditions determined by City staff.

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

BE IT FURTHER RESOLVED that the funding reservation is 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 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.