



Office of the City Manager

CONSENT CALENDAR
October 29, 2024

To: Honorable Mayor and Members of the City Council

From: Paul Buddenhagen, City Manager

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

Subject: Housing Trust Fund Recommendations for the Berkeley Unified School District Workforce Housing Project and the St. Paul Terrace Project

RECOMMENDATION

Adopt a Resolution to:

1. Reserve an additional \$2,000,000 for Satellite Affordable Housing Associates (SAHA) and Abode Communities' Berkeley Unified School District (BUSD) Workforce Housing project; and
2. Reserve an additional \$3,504,319 for Community Housing Development Corporation of North Richmond (CHDC)'s St. Paul Terrace project with the following conditions:
 - a. Funds shall be reserved for a period of no more than 18 months from the date of Council approval, contingent on the development team obtaining all required land use approvals of the property and securing commitments for project funding that the City Manager or their designee deems sufficient within the reservation period.
 - b. CHDC shall apply to alternative funding sources with the intent of reducing the need for these additional City funds. CHDC shall provide updates to the City on the applications submitted and the outcomes.
3. Authorize the City Manager or their designee to execute all original or amended documents or agreements to effectuate these actions.

SUMMARY

The City of Berkeley recently received funding requests for two affordable housing projects with existing development funding reservations from the City. SAHA and Abode Communities submitted a request for \$2M for the BUSD Workforce Housing project at 1701 San Pablo Avenue, and CHDC submitted a request of \$3,504,319 for St. Paul Terrace at 2024 Ashby Avenue. The funding recommendations are based on the available funds in the Housing Trust Fund and the City's goal of supporting pipeline projects and increasing the number of affordable housing units in Berkeley.

FISCAL IMPACTS OF RECOMMENDATION

The attached resolution would reserve an additional \$2 million for the BUSD Workforce Housing project and an additional \$3,504,319 for the St. Paul Terrace project. Currently, there are sufficient funds in the Housing Trust Fund (HTF) program to fund the requests. Staff will determine the exact mix of funds from the HTF closer to the loan closing. This mix could include the following funds: Measure O bond funds (Fund #512), Affordable Housing Mitigation Fee (Fund #120), Inclusionary Housing Fee (Fund #122), Condo Conversion Fee (Fund #123), and Commercial Housing Mitigation Fee (Fund #331). Funding is subject to appropriations in Annual Appropriations Ordinance 1.

CURRENT SITUATION AND ITS EFFECTS

On September 5, 2024 the Housing Advisory Commission voted as follows to approve the staff recommendations as written above.

M/S/C: Mendonca/ Ortiz-Cedeño. Ayes: Bell, Braslaw, Mendonca, Ortiz-Cedeño, and Potter. Noes: None. Abstain: None. Absent: Calavita (unexcused), Haycox (excused), Shere (excused), and Simon-Weisberg (excused).

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The HTF Guidelines allow developers to apply for City funding outside of a competitive process if their projects meet the definition of being at risk. Projects can qualify if they have documented state or federal funding commitments that they are at risk of losing, and if the developers can demonstrate the following:

- The urgency of the need;
- The steps they have taken to avoid the need for additional City funds; and
- That no other funds are available to meet the need.

BACKGROUND

BUSD Workforce Housing Project

Located at 1701 San Pablo Avenue, BUSD Workforce Housing is a mixed-income housing project being developed by SAHA and Abode Communities (Abode). SAHA and Abode will develop a 110-unit project with a leasing preference for BUSD employees and their households. City Council previously approved \$24.5M funding reservation for SAHA and Abode to develop the project.

SAHA and Abode applied for and received an award from the California Housing Finance Agency (CalHFA) which required them to receive a tax credit and bond allocation in 2024. They were successful in meeting that requirement and received a tax credit/bond allocation on August 6, 2024. With the CalHFA and bond awards, the project must close the construction financing by February 2, 2025 or it will lose the funding and have to restart the process of securing financing (which may take several years). SAHA applied for but did not receive California Infill Infrastructure Grant funds that would have fully funded the project. The development team reduced the scope of work by \$3M, yet a \$2M funding gap remains.

The project qualifies as at-risk and is eligible to apply for City funding outside of a competitive process. The CalHFA funding will be revoked if the project does not close its construction financing in the next six months, which represents an urgent need. SAHA and Abode were unsuccessful in filling the financing gap with the Infill Infrastructure Grant, and no other funding sources are feasible within the CalHFA timeline. If awarded the additional funds, the total City subsidy in the project would be \$26.5 million, equal to 34.6% of the total development cost.

St. Paul Terrace Project

Located at 2024 Ashby Avenue, St. Paul Terrace is a 50-unit affordable housing project being developed by CHDC. To date, Council has approved a total of \$12,250,000 in City predevelopment and development funding for the project.

CHDC requested an additional \$3,504,319 to support the development of St. Paul Terrace to cover increased insurance, construction, and interest costs. Since CHDC submitted their first application to the City in 2021, the cost of construction increased significantly due to the number of stories needed to get up to 50 units at this site, i.e., five stories of wood framing above three stories of concrete. The increase in construction costs has made the project ineligible for the less competitive 4% tax credit/bonds, therefore CHDC is pursuing 9% tax credits. In addition to being more competitive, 9% tax credits are capped, which caused the project to have a gap and need additional soft funding.

The project qualifies as at-risk and is eligible to apply for City funding outside of a competitive process. The project was awarded \$16.6M of the State's Multifamily Housing Program funds, for which construction will need to begin in 2026. It is unlikely that the project would be awarded 9% tax credits in the current round. However, if the project is successful CHDC would need to close construction financing within 180 days of the tax credit award or risk losing the award and delay the project due to the funding gap. If CHDC needs to re-apply for tax credits in subsequent rounds, City requests that CHDC seek other sources that could potentially reduce the need for the additional City funding. The 18-month reservation period would allow CHDC to participate in two more tax credit application rounds. If awarded the additional funds, the total City subsidy for St. Paul Terrace would be \$15.7 million, equal to 22.7% of the total development cost.

Housing Trust Fund

The Housing Trust Fund has a current unallocated balance of approximately \$6.2M. A third issuance of Measure O is anticipated in 2025. While most of those funds are already allocated to projects (including the North Berkeley and Ashby BART sites), the unallocated funds from the third Measure O issuance would increase the available HTF balance by approximately \$7.4M. If approved, some or all of the additional funding for the BUSD Workforce Housing and St. Paul Terrace projects is likely to come from the next issuance of the Measure O bond. The source of the additional funding for each project would be established shortly before the project's loan closing, based on then-current fund balances, and any restrictions the funds may carry. Depending on the project schedules and timing of the bond issuance, the funds may not be available at construction start. The HTF Guidelines allow a City subsidy of up to 40% of a project's total development cost.

ENVIRONMENTAL SUSTAINABILITY AND CLIMATE IMPACTS

There are no identifiable sustainability and climate impacts directly associated with the recommendations of this report. The BUSD project meets the City's goals of sustainability. The sustainability features include all-electric building consistent with the City's recently adopted standards, maximize the potential for on-site renewable energy, providing capacity for electric vehicle charging, creating bicycle storage, and achieving either LEED Gold or GreenPoint Gold certification. The St. Paul Terrace project will have climate-sensitive design and CHDC will incorporate the City's Climate Action Plan using the Green Point Rating system to as required by the City to address sustainability.

RATIONALE FOR RECOMMENDATION

Both projects are considered at-risk under the HTF Guidelines (V.D.1), and approving additional funds would support the City's goal of creating affordable housing. Without this City funding, SAHA and CHDC risk losing state funding awards and delaying construction start.

ALTERNATIVE ACTIONS CONSIDERED

If Council does not approve the additional funding requests, the projects would be at risk of losing their state funding awards, and would be delayed. SAHA and CHDC would need to pursue alternative funding sources, and project costs would likely increase.

CONTACT PERSON

Asavari Devadiga, Community Development Project Coordinator, HHCS, 510-981-5426

Attachment:
1: Resolution

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

APPROVAL OF THE FUNDING RESERVATION FOR

WHEREAS, 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 guidelines (HTF Guidelines) as revised on January 19, 2021, and authorized the City Manager to implement the HTF program in accordance with the Guidelines; and

WHEREAS, the City's HTF Guidelines allow funding requests to be submitted at any time for projects at imminent risk, including projects the City previously funded that are at risk of losing state or federal funding awards; and

WHEREAS, on December 14, 2021, by Resolution 70,134-N.S., the City Council approved \$24.5 million funding reservation for Satellite Affordable Housing Associates (SAHA) and Abode Communities' (Abode) Berkeley Unified School District (BUSD) Workforce Housing project; and

WHEREAS, on April 20, 2021, by Resolution 69,795-N.S., the City Council approved \$1,198,960 for Community Housing Development Corporation's (CHDC) St. Paul Terrace project;

WHEREAS, on December 14, 2021, by Resolution 70,135-N.S., the City Council approved additional \$2,500,000 for CHDC's St. Paul Terrace project;

WHEREAS, on June 14, 2022, by Resolution 70,407-N.S., the City Council approved additional \$8,551,040 for CHDC's St. Paul Terrace project;

WHEREAS, the BUSD Workforce Housing project and St. Paul Terrace project meet the definition of at-risk, as both secured state funding awards that may be rescinded if the projects don't secure their remaining financing and start construction within the state-designated timeframe; and

WHEREAS, SAHA and Abode submitted a request for additional funding of \$2,000,000 for the BUSD Workforce Housing project, and CHDC submitted a request for additional funding for \$3,504,319 for St. Paul Terrace project; and

WHEREAS, on September 5, 2024, the Housing Advisory Commission (HAC) approved a motion recommending that Council approve SAHA and Abodes additional funding request of \$2,000,000 for BUSD Workforce Housing Project and CHDC's additional funding request of \$3,504,319 for St. Paul Terrace Project; and

WHEREAS, HAC's motion included a recommendation that the funds for CHDC's St. Paul Terrace project be reserved for a period of no more than 18 months from the date of Council approval, contingent on the development team 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; and that CHDC shall apply to alternative funding sources with the intent of reducing the need for these additional City funds. CHDC shall provide updates to the City on the applications submitted and the outcomes; and

NOW THEREFORE, BE IT RESOLVED by the Council of the City of Berkeley that the Council approves the following funding reservations:

- \$2,000,000 for Satellite Affordable Housing Associates and Abode Communities' BUSD Workforce Housing project (1701 San Pablo Avenue); for a total City reservation of \$26,500,000; and
- \$3,504,319 for Community Housing Development Corporation's St. Paul Terrace project (2024 Ashby Avenue), for a total City reservation of \$15,754,319.

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

BE IT FURTHER RESOLVED that the funds for the St. Paul Terrace project shall be reserved for a period of no more than 18 months from the date of this Resolution, contingent on CHDC obtaining all required City approvals and securing commitments for full project funding that the City Manager or designee deems sufficient within the reservation period.

BE IT FURTHER RESOLVED that CHDC shall apply to alternative funding sources with the intent of reducing the need for these additional City funds, and shall provide updates to the City on the applications submitted and the outcomes.

BE IT FURTHER RESOLVED that the funding reservation is conditioned upon the completion of the environmental review process, as applicable, 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 their designee may establish.

BE IT FURTHER RESOLVED the City Manager, or their 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.

