



Office of the City Manager

CONSENT CALENDAR
November 19, 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: Request for Proposals for Housing Trust Fund Rehabilitation Projects

RECOMMENDATION

Adopt a Resolution authorizing the City Manager to release a Request for Proposals (RFP) for approximately \$6 million in Housing Trust Fund (HTF) program funds to support the rehabilitation of existing affordable rental housing developments in the City's HTF portfolio, to certify Community Housing Development Organizations (CHDO), and to award CHDO operating support.

FISCAL IMPACTS OF RECOMMENDATION

There is approximately \$6 million currently available for this RFP to support rehabilitation projects, which consists of \$1.2 million in federal HOME funds (Fund #310) and \$4.8 million in Housing Trust Fund program funds (which may include Funds #120, #122, #123, and #302). In addition to the rehabilitation funds, a total of \$60k per year for a five-year period is available in CHDO Operating Support. The annual allocation of \$60k consists of \$30k in HOME funds and \$30k in matching funds (Fund #501). All funds allocated through this RFP would be subject to appropriation through an Annual Appropriations Ordinance or the budget process.

CURRENT SITUATION AND ITS EFFECTS

The City's portfolio of affordable housing developments funded through the HTF program includes older properties with growing capital improvement needs. Many projects have limited cash flow, making it difficult for project owners to keep up with capital needs. The City has a balance of approximately \$1.2 million in HOME funds (including unallocated program income). Of that, nearly \$640k must be committed to a HOME-eligible project by December 2025 or the funds may be subject to recapture by the federal government. The City can meet its HOME commitment deadline and support its portfolio projects by issuing an RFP that prioritizes HOME-eligible rehabilitation projects.

Because a portion of the City's HOME funds must be awarded to CHDOs, this RFP would also serve to certify qualified organizations. Certified CHDOs are eligible to receive annual operating support from the City, which would also be approved through

this process. The City currently allocates \$60k per year to support CHDOs, and that funding would be split amongst all certified CHDOs.

The RFP would also prioritize rehabilitation that addresses critical health and safety issues. Non-CHDO property owners of existing affordable housing developments in the HTF portfolio are encouraged to submit proposals to address deferred maintenance or capital improvements that satisfy health and safety needs and meet the criteria of the RFP.

BACKGROUND

The City receives an annual allocation of HOME funds from the federal Housing and Urban Development Department (HUD). HUD requires that HOME funds are “committed” (in a contract) within 24 months of the City’s receipt of the funds. In recent years, HUD has waived those deadlines, but unless the deadline is extended again, the City’s oldest HOME funds will need to be committed by December 2025. To meet that deadline, the City needs to identify a HOME-eligible project (one that has secured all other financing and is ready to start construction within 12 months) and execute a loan agreement with a qualified nonprofit developer.

A portion of the City’s HOME funds are reserved for nonprofits that the City certifies as CHDOs. Because the City’s annual allocation of HOME funds is relatively small (\$500k-\$700k in recent years), and because federal funding carries more stringent requirements than local funds, the City’s practice is to award its HOME funds exclusively to certified CHDOs. CHDOs meet HUD standards for financial management, experience, capacity, and board composition. The City would enter into five-year contracts with each certified CHDO to provide operating support for a five-year cycle. The organizations would need to recertify as CHDOs on an annual basis for the duration of the contract period to maintain eligibility for operating support and HOME development funds.

In the last two years City staff have observed, through their monitoring visits of 34 HTF properties, an increasing need for funding to address capital improvements. While the properties are generally in good physical condition, City staff have noted signs of deferred maintenance across the board, from small 8-unit developments to the larger 50+ unit projects. Property owners are typically able to address the most immediate health and safety needs, but are challenged with finding sufficient funds to address larger and more costly capital improvements. State funding prioritizes the production of new units, and there are limited sources of funding for preservation of existing affordable housing. The funds through this rehabilitation RFP could leverage the property’s replacement reserves and would allow property owners to undertake much-needed capital improvements.

ENVIRONMENTAL SUSTAINABILITY AND CLIMATE IMPACTS

There are no environmental sustainability impacts associated with issuing an RFP. The rehabilitation of affordable infill housing is generally considered a more sustainable type of development activity.

RATIONALE FOR RECOMMENDATION

An RFP will help the City identify a HOME-eligible project and meet the HOME commitment deadline of December 2025, preventing the potential forfeiture of federal housing funds. It will provide the opportunity for one or more existing affordable housing developments in the HTF portfolio to address deferred maintenance and capital needs.

ALTERNATIVE ACTIONS CONSIDERED

Staff considered allowing applications for new construction projects through the RFP. However, a new construction project would not help the City meet its HOME commitment deadline.

CONTACT PERSON

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Attachments:

1: Resolution

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

REQUEST FOR PROPOSALS FOR HOUSING TRUST FUND REHABILITATION
PROJECTS

WHEREAS, City Council established a Housing Trust Fund Program (the "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

WHEREAS, the HTF Program has an aging portfolio of City-funded affordable housing developments that need additional funds to address critical health and safety issues and support the ongoing operations; and

WHEREAS, the HTF Program has approximately \$6 million in uncommitted funds available to support affordable housing projects; and

WHEREAS, approximately \$1.2 million of the HTF Program funds are federal HOME funds, which are subject to federal commitment deadlines; and

WHEREAS, a portion of the City's HOME funds must be committed to a project developed by a certified Community Housing Development Organization (CHDO); and

WHEREAS, the City provides approximately \$60k in annual operating support that is split amongst its certified CHDOs; and

WHEREAS, the City intends to issue a Request for Proposals (RFP) to solicit funding request to support the rehabilitation of HTF properties; and

WHEREAS, the RFP will prioritize HOME-eligible projects and projects with documented health and safety needs and

WHEREAS, the RFP will also give nonprofit organizations the opportunity to certify as a CHDO, and apply for CHDO operating support funds.

NOW THEREFORE, BE IT RESOLVED by the Council of the City of Berkeley that the City Manager (or their designee) is authorized to release an RFP for rehabilitation of HTF projects with the approximately \$6 million of the City's unallocated HTF Program funds.

BE IT FURTHER RESOLVED that the Request for Proposals may include certification of qualified CHDOs, and requests for CHDO operating support.

BE IT FURTHER RESOLVED that City Manager (or their designee) will return to City Council with recommendations for funding.