

Office of the City Manager

October 7, 2022

To: Honorable Mayor and Members of the City Council

From: *Dee* Dee Williams-Ridley, City Manager

Re: Measure O Update

This memo gives an overview of the City's implementation thus far of Measure O, a 2018 ballot measure dedicated toward affordable housing.

Measure O has thus far guided \$111 toward an array of projects that will create at least 900 new units and 44 shelter beds. This includes an estimated 400-plus units at the North Berkeley and Ashby BART sites. This powerful expansion of City investment in affordable housing will help an estimated 1,900 low- and middle-income people who earn less than 80 percent of the countywide area median income – such as \$114,000 annually for a family of 4.¹ For context, the City could only fund a total of 57 units from 2011 through 2018, with one project in each of those years. Instead, the City is now on track to have more than 2,000 permanently affordable units – nearly double the amount we had in 2010.

The City plans to fund additional projects by issuing a third round of bonds, up to \$17 million, for which the City Council has prioritized two projects: Supportive Housing in People's Park and St. Paul Terrace.

Building permanent affordable housing is among the most complex, lengthy and costly infrastructure to build in California. Affordable housing financing in California requires nonprofit developers to braid together funding from multiple sources. County, state, and federal sources usually require committed local funding – making the City's investment a critical first step for most of these multi-year developments. City staff also use these funds to help project sponsors leverage funding from outside sources. None of this would be possible without skilled, creative staff who navigate a labyrinth of regulations, government agencies and nonprofits. Guided by our work, every Measure O dollar multiplies nearly five-fold.

¹ HUD estimated that every affordable housing unit nationwide housed 2.1 people per unit. "A Snapshot of HUD-Assisted Households," June 11, 2018. <https://www.huduser.gov/portal/pdredge/pdr-edge-featd-article-061118.html>.

Permanent affordable housing is just one of the City's strategies to address the statewide housing crisis, which is at an extreme in the Bay Area. In Measure O, we already see the broadening of a foundation for a more inclusive Berkeley, expanding the affordability for neighborhoods across the City, in North, South, and West Berkeley as well as downtown.

BALLOT MEASURE

Measure O provides \$135 million of funding from bond revenue to pay for affordable housing projects. Berkeley voters passed Measure O in November 2018 with 77.5% approval. The original ballot question read:

Shall the measure to issue \$135 million in bonds to create and preserve affordable housing for low-income households, working families, and individuals including teachers, seniors, veterans, the homeless, and persons with disabilities; subject to citizen oversight and independent audits, be adopted?

PROGRESS ON AFFORDABLE HOUSING PROJECTS

Affordable housing projects funded by Measure O are providing housing for low- and middle-income members of the Berkeley community. Four projects are complete or substantially complete, creating 177 new units of affordable housing and shelter space with 44 beds.

[Jordan Court](#) opened in North Berkeley in spring of 2022. This project created 34 affordable studio units for low-income seniors, with 12 set aside for formerly homeless seniors. (Measure O funding: \$3.5 million.)

[Berkeley Way](#) is scheduled to open in Downtown Berkeley in October 2022, and includes three sub-projects that received \$13,820,423 in Measure O funding:

- The Hope Center homeless shelter will have 32 beds for homeless individuals and 12 transition beds for homeless veterans. (Measure O funding: \$6.9 million, including \$5.3 million in loans already disbursed.)
- The Hope Center permanent supportive housing will have 53 apartments for people with disabilities or other special needs who would benefit from support services. (Measure O funding: \$6.7 million, including \$6.2 million disbursed)
- The Berkeley Way Apartments will have 89 units of affordable housing, consisting of studios, one- and two-bedroom apartments. (Measure O funding: \$179,000)

Three additional projects are in progress (either under construction or in predevelopment with site acquisition completed) and will create 204 units of affordable housing:

- [Maudelle Miller Shirek Community](#) in South Berkeley will have 87 units of housing, consisting of studios as well as one-, two-, and three-bedroom apartments. (Measure O funding: \$12.9 million, including \$2.3 million disbursed)
- [Blake Apartments](#) in West Berkeley will have 63 units of housing, consisting of studios and one- and two-bedroom apartments. (Measure O funding: \$9.1 million, including \$7 million disbursed)
- 1740 San Pablo Ave in West Berkeley will have 54 affordable homes for families. (Measure O funding \$7.5 million)

Two projects have funding reserved but construction has not yet begun:

- [Berkeley Unified School District \(BUSD\) Workforce Housing Development](#) will have 110 apartments, with leasing preference for BUSD employees. (Measure O funding: \$24.5 million)
- Plans are in development for affordable housing at Ashby and North Berkeley BART sites. (Measure O funding: \$40 million)

Additionally, Council prioritized two proposals for \$17 million from the next issuance of Measure O bonds:

- Supportive Housing in People's Park
- St. Paul Terrace

Net Measure O funds received by the City to date are \$76,682,000. All of these funds have been committed or reserved for projects. The City will issue the remaining \$57 million when there is debt capacity and developments are ready for the funding.

POLICIES GUIDE FUNDING

The City has made Measure O dollars available through the Housing Trust Fund Program, which subject to Council-approved Guidelines as well as administrative criteria and funding source restrictions. These Guidelines have been in place since 1990 and are updated from time to time. The most recent update was adopted by Resolution No. 69-683-N.S. on January 19, 2021.² In addition to staff's work on housing developments, the City's Housing Advisory Commission, made up of community members appointed by Councilmembers and the Mayor, reviews projects and makes recommendations to the full City Council about expenditure of the City's affordable housing dollars.

Development of affordable housing is traditionally divided into several phases:

- **Predevelopment:** Project sponsors design the development, engage with the community, apply for financing from multiple sources, obtain a use permit, apply for a building permit, then finally enter into financing agreements and pay for the building permit. Permits and financing are finalized.

² <https://berkeleyca.gov/community-recreation/affordable-housing-berkeley/housing-trust-fund>

- **Construction:** Staff continue to monitor the developments, disburse City funds, and help resolve issues that may arise.
- **Lease-up:** This phase starts about 6 months before Construction finishes. Sponsors begin the Lease-Up phase by clarifying all tenant screening criteria, marketing the housing through community partners, accepting applications, screening tenants, preparing lease and when the building is complete, working with tenants as they move in.
- **Operations:** The development is occupied and leasing up apartments when someone moves out. Staff monitor Operations for 55 years.

The City's affordable housing development funds are most often reserved early in the predevelopment process. This allows project sponsors to successfully compete for state and federal funds. Measure O has a powerful role. For every dollar in Measure O funding, project sponsors have been able to secure \$4.6 in outside funding from state, regional or private sources. Typically, the City executes a loan agreement once all permits are ready to issue and full financing has been secured, a process which usually takes years. At times City funds are loaned at site acquisition. As a result, funds may be reserved or committed for years before they are expended. Please see *Attachment 1: Affordable Housing* for details including income ranges served, total City funds, project type and status.

FUNDS EXPENDED TO DATE

Once Measure O funds are committed to a project, they are typically disbursed on a monthly (or less frequent) schedule when the project sponsor has incurred eligible project expenses as well as satisfied various conditions of the loan agreement. The project sponsor submits an invoice along with documentation of each expense, which is reviewed and approved by multiple City staff before funds are released.

As of 9/13/2022 the City had disbursed \$28,791,018.20 Measure O funds through seven development loans as detailed in the following table. Four are complete or substantially complete (Berkeley Hope Center, Berkeley Hope Center Permanent Supportive Housing, BRIDGE Berkeley Way, and Jordan Court), two are in construction (the Maudelle Miller Shirek Community and Blake Apartments), and site acquisition has been completed for 1740 San Pablo Ave. These represent a total of 177 units and 44 shelter beds completed with Measure O support to date, 150 units currently in construction, and 54 units in predevelopment.

Loan Disbursements to Date (Expenditures)

Development Name	FY2021	FY2022	FY2023	Total
Maudelle Miller Shirek Community		1,500,000	836,537.16	2,336,537.16
BFHP Hope Center Permanent Supportive Housing	818,655.93	5,431,689.47		6,250,345.40
BFHP Hope Center Temporary Housing	1,121,532.77	3,637,286.20	514,543.41	5,273,362.38
BRIDGE Berkeley Way		161,544.00		161,544.00
Jordan Court	2,906,118.00			2,906,118.00
1740 San Pablo Ave.	4,610,002.14	254,836.08	5,400.83	4,870,239.05
Blake Apartments	5,046,000.00		1,946,872.24	6,992,872.24
Total	14,502,308.84	10,985,355.75	3,303,353.64	28,791,018.20

Additionally, \$143,347 was disbursed to support external legal services for the Berkeley Way projects. The total Measure O funds expended for all purposes is \$30,152,165.

MANAGEMENT OVERSIGHT

The Department of Health, Housing, and Community Services manages the affordable housing projects funded by Measure O. Funds are distributed through the [Housing Trust Fund](#), which pools funds for affordable housing construction from a variety of sources and makes them available to developers through one single application process.

The Housing Advisory Commission and City Council review and approve projects to receive Measure O funding. Oversight was previously provided by the Measure O Bond Oversight Commission, which met 10 times from April 2019- March 2021. A spreadsheet with actual and planned expenditures from their March 2021 meeting is included as *Attachment 2*, as is a report on the status of funding commitments from the same meeting (*Attachment 3*).

The Commissions reviewed requests for funding, made funding recommendations to Council and received information about the status of funding reservations and commitments. Neither commission produced its own report assessing the status of Measure O.

The Finance Department is developing a scope of work for an outside auditor to audit Measure O expenditures as required by the ballot measure. The first fiscal year including Measure O expenditures ended on June 30, 2021 and will be the first year to be audited.

Information about Measure O can be found in the [Bond and Revenue Measures](#) section of berkeleyca.gov.³ Members of the public interested in learning more about the allocation and expenditure of Measure O funds can also consult the [Housing Advisory Commission](#), refer to their meeting agendas and documents, or attend their meetings.⁴

Attachments:

- Spreadsheet of Measure O projects
- Housing Advisory Commission, March 2021
 - Actual and Planned Expenditures,
 - Status of Funding Commitments

cc:

Paul Buddenhagen, Deputy City Manager
LaTanya Bellow, Deputy City Manager
Lisa Warhuus, Director, Health, Housing, and Community Services
Matthai Chakko, Assistant to the City Manager
Mark Numainville, City Clerk
Jenny Wong, City Auditor

³ <https://berkeleyca.gov/your-government/our-work/bond-revenue-measures>

⁴ <https://berkeleyca.gov/your-government/boards-commissions/housing-advisory-commission>

City of Berkeley
Affordable Housing Projects Funded by Measure O and Other Sources since 2018
 Total Authorized Measure O Bond = \$135M
 Total Funded and Reserved from All City Sources = \$198M

Projects with Measure O + Other Funding Reservations and Commitments

Project Name	Project Address	Development Partner	Description	Units ¹	Affordability	Total Measure O Funds Committed or Reserved ²	Total U1 Funds Committed or Reserved	Total City Funds	Projected City Sources of Funds ³	Project Type	Project Status
BFHP Hope Center	2012 Berkeley Way	Berkeley Food & Housing Project (BFHP)/BRIDGE Housing	32-bed homeless shelter, 12 transitional beds for homeless veterans, a community kitchen and wrap-around services for mental health, substance abuse, job training and social activities.	44	0-30% AMI	\$6,909,837	\$6,023,365	\$16,964,507	Berkeley's Housing Trust Fund (HTF), Measure U1 ⁴ (U1), Measure O	New Construction	Under Construction
BFHP Hope Center Permanent Supportive Housing	2012 Berkeley Way	BFHP/ BRIDGE Housing	53 permanent supportive housing apartments.	53	0-30% AMI	\$6,731,092		\$7,727,630	Measure O, HTF	New Construction	Under Construction
BRIDGE Berkeley Way	2012 Berkeley Way	BRIDGE Housing	89 affordable homes and services for low- and very low- income families.	89	50-60% AMI	\$179,494		\$2,774,925	Measure O, HTF	New Construction	Under Construction
Jordan Court	1601 Oxford Street	Satellite Affordable Housing Associates (SAHA)	34 affordable studio units for seniors. 12 units will also be set aside for formerly homeless households.	35	20-60% AMI	\$3,548,748		\$6,026,927	HTF, Measure O	New Construction	Completed
Maudelle Miller Shirek Community	2001 Ashby Avenue	Resources for Community Development (RCD)	86 apartments for families and individuals. 12 units will also be set aside for formerly homeless households.	87	20-80% AMI	\$12,932,000	\$1,568,000	\$17,000,000	Measure O, U1, State Local Housing Trust Fund (LHTF)	New Construction	Under Construction
Blake Apartments	2527 San Pablo Avenue	SAHA	21 studio units, eight one-bedroom units, 33 two-bedroom units and one three-bedroom manager's unit. 12 units are prioritized for people with an intellectual or developmental disability.	63	30-60% AMI	\$9,000,000	\$500,000	\$12,000,000	Measure O, U1, LHTF	New Construction	Under Construction
1740 San Pablo Avenue	1740 San Pablo Avenue	BRIDGE Housing	53 new affordable homes for families	54	30-60% AMI	\$7,500,000		\$7,500,000	Measure O	New Construction	Acquisition / Predevelopment
Berkeley Unified School District (BUSD) Workforce Housing Development	1701 San Pablo Avenue	BUSD/SAHA/Abode	110 homes in a five to six story building. Employees of BUSD and their households will have a leasing preference.	110	30-120% AMI	\$24,500,000		\$24,500,000	Measure O	New Construction	Acquisition / Predevelopment
BART Sites	Ashby and North Berkeley	TBD	TBD	TBD	TBD	\$40,000,000		\$53,000,000	TBD	New Construction	Planning/ MOU established
Northern California Land Trust's Anti-Displacement Project	2321-2323 10th Street	Northern California Land Trust	renovation of an 8-unit, occupied property	8	80% AMI		\$1,620,640	\$1,620,640	U1	Acquisition / Renovation	Acquired/ Predevelopment
MLK House	2942-2944 MLK Jr. Way	RCD	Occupied HTF project (SROs) primarily serving clients of Berkeley Mental Health	12	60% AMI			\$1,178,974	State Permanent Local Housing Allocation (PLHA)	Renovation	Predevelopment/ Pending renovation
Ashby Lofts	2909-2919 Ninth St.	SAHA	Occupied HTF project - 54-units, providing housing at 30%-50% Area Median Income (AMI), including many with physical or mental disabilities	54	30-50% AMI			\$850,000	PLHA	Renovation	Predevelopment/ Pending renovation
Lorin Station	3253-3269 Adeline Street	South Berkeley Neighborhood Development Corporation (SBNDP)	14 affordable units, including 5 one-bedrooms, 7 two-bedrooms, and 2 three-bedrooms	14	60% AMI			\$730,742	CDBG	Renovation	Predevelopment/ Pending renovation

Rosewood Manor	1615 Russell Street	SBNDC	35 affordable units, including 8 one-bedrooms, 21 two-bedrooms, and 6 three-bedroom apartments	35	60% AMI			\$1,792,491	CDBG, HTF	Renovation	Predevelopment/ Pending renovation
Golden Bear Homes - Homekey Project	1620 San Pablo Ave	Memar Properties and Bay Area Community Services (BACS)	Acquisition of the Golden Bear Inn to be converted to permanent supportive housing under the State's Homekey Program	44	30% AMI			\$8,463,535	PLHA, Measure P	Acquisition / Renovation	Predevelopment/ Pending renovation
Stuart Street Apartments at McGee Avenue Baptist Church	1640/1638 Stuart St	Bay Area Community Land Trust (BACLT)	renovation of a vacant 8-unit property on church-owned site	8	80% AMI		\$2,002,500	\$2,002,500	U1	Acquisition / Renovation	Under Construction
Solano Ave. Apartments	1685 Solano Ave	BACLT	acquisition and renovation of a 13-unit, partially occupied property	13	80% AMI		\$1,400,000	\$3,900,000	U1, HTF	Acquisition / Renovation	Under Construction
Supportive Housing in People's Park	2556 Haste Street	Resources for Community Development (RCD)	119 total units with 62 units set aside for formerly homeless households.	119	10-50% AMI			\$14,359,593	TBD	New Construction	Acquisition / Predevelopment
St. Paul Terrace	2024 Ashby Avenue	Community Housing Development Corporation (CHDC)	49 affordable units, including 11 studios, 6 one-bedrooms and 17 two-bedrooms, and 15 three-bedrooms.	50	30-60% AMI			\$12,250,000	TBD	New Construction	Predevelopment
Ephesians Legacy Court	1708 Harmon Avenue	CHDC	79 one-bedroom units.	80	30-60% AMI			\$3,556,400	TBD	New Construction	Predevelopment
				972			\$111,301,171	\$13,114,505			\$198,198,864

¹ total units, including managers' units

² committed = in contract, and reserved = set aside for a particular project

³ the final mix of funds is determined at loan closing

⁴ General Funds generated pursuant to Measure U1

⁵ Funding Reservation that the City Council has approved from currently available affordable housing funds and from forward reservations of up to \$17 million from the third issuance of Measure O bonds and \$2.5 million in FY2023 general funds generated pursuant to Measure U1

⁶ Funding Prioritization by City Council prioritizing future housing funds (including but not limited to HTF and Measure O funds)



Department of Health, Housing
& Community Services

To: Measure O Bond Oversight Committee
Housing Advisory Commission

From: Jenny Wyant, Community Development Project Coordinator
Mike Uberti, Community Development Project Coordinator

Subject: Affordable Housing Development Funds: Ashby and North Berkeley BART
Station Areas and Other Notices of Funds Available (NOFAs)

Date: March 1, 2021

This report is a companion to the Department of Planning & Development's February report on the Ashby and North Berkeley BART station areas.¹ The purpose of this report is to solicit Commission recommendations to Council about funding options for the BART station areas as well as other projects likely to seek City affordable housing funding.

The same report is being provided to the Housing Advisory Commission (HAC) and the Measure O Bond Oversight Commission (MOBOC) because of its complex and interrelated content. Commissioners should keep in mind the respective areas each Commission advises Council on: MOBOC is charged with overseeing the use of Measure O funds, while the HAC is charged with housing policy generally, the Housing Trust Fund program, and Measure U1 funds.

RECOMMENDATION

Staff recommends the following three-pronged approach for City action to reserve housing funds for the BART sites and other City housing priorities:

For the Ashby and North Berkeley BART sites:

1. Reserve \$40 million of City's Measure O funds and pledge at least \$13 million in future Affordable Housing Mitigation Fees and/or a new source of revenue to be identified no later than 2024 in order to cover the balance of \$53 million currently estimated City subsidy needed for 35% affordable housing at the

¹ See 2/1/21 Staff Report, Agenda Item 5 available online at:
https://www.cityofberkeley.info/uploadedFiles/Housing/Level_3_-_General/_2021-02-01_MOBOC%20Agenda%20Packet.pdf

Ashby and North Berkeley BART sites, and; allow for a portion of the funding (to be determined at a later date) to be considered for predevelopment.

2. Refer to the City Manager to investigate a new bond measure that could fund housing and/or infrastructure needs at the two BART sites and in the Adeline Corridor, or in the City as a whole.

For Other City Housing Priorities:

In order that housing funds can be made available this year, staff ask the Commissions to recommend the following actions to Council, modified as needed to be consistent with the BART funding option identified:

3. Release one or more NOFAs to support development of new affordable housing projects or rehabilitation of existing affordable projects using the balance of any remaining Measure O funds available beyond the BART commitment, Permanent Local Housing Allocation (PLHA) funded operating subsidies for homeless households and PLHA funds for housing rehabilitation, as well as HOME funds and the balance of City Housing Trust Funds using the Housing Trust Fund Guidelines and operating subsidy guidance established by staff, and reviewed by the Housing Advisory Commission.

SUMMARY

This report is intended to assist the MOBOC and HAC in making a recommendation to Council on funding for the BART station areas, the Adeline Corridor Planning Area, and/or, recommendations for issuing NOFAs this year. The following is a summary of the range of requests for City affordable housing funding:

1. City and BART MOU minimum threshold of 35% affordable housing for both BART sites. The City has entered into a Memorandum of Understanding with BART related to the station areas which agreed to identify funding for these sites within an agreed-upon timeframe of April 2021. While there are many important outstanding questions that still need to be resolved, analyses based on what we know today estimate that **\$53 million** in City subsidy will be needed. Given that achieving 35% or higher affordable housing is estimated to take 11 to 17 years or more and over multiple phases of development to complete, the total amount of City subsidy may not be needed in one lump sum, but phased over time.²

² Memorandum prepared by Street Level Advisors (January 21, 2021). See Measure O Bond Oversight Committee 2/1/21 Staff Report, Agenda Item 5, Attachment 1.

2. As part of adoption of the Adeline Corridor Specific Plan (December 2020), the Council referred two items related to the MOBOC and HAC:
 - Reserve \$50 million of Measure O funds for the Ashby BART station and/or Adeline Corridor Plan Area; and
 - Refer to the City Manager to develop a policy for the Affordable Housing Mitigation Fees collected from projects in the Adeline Corridor Planning Area to be placed in a fund dedicated for affordable housing at the Ashby BART site.
3. There are also many other potential requests for City affordable housing funding, including potential projects that are in very early stages of planning, as well as funding for programs.

This report provides information about the currently available and reserved City affordable housing funding; known funding requests; and advantages and challenges of various options to fulfill the requests. Since there is a greater need for funding identified than funds currently available, this report outlines a recommended approach for the Commissions to consider in order to balance reserving sufficient funding for the BART sites without turning away fundable projects that could be providing much needed housing even sooner.

CURRENT SITUATION AND ITS EFFECTS

This section provides information about available City affordable housing funding sources (current and projected); estimated potential requests for such funding for the Ashby and North Berkeley BART sites and other housing priorities, and; options for the Commissions to consider as a basis for their recommendations to City Council.

A. Available City Affordable Housing Funding

The City's sources of available funding for affordable housing are summarized in this section and in **Table 1** below.³

The largest source of funding controlled by the City comes from Measure O, which Berkeley voters passed in 2018. Out of the \$135 million in general obligation bonds that may be issued, approximately \$59 million is still available.⁴ Measure O's affordable

³ Currently reserved City affordable housing funding is summarized below in **Table 4** in the Background section of this report.

⁴ This amount is \$2M less than noted in 02/01/2021 MOBOC meeting staff report based on the updated amount reserved for the Berkeley Unified School District (BUSD) Notice Of Funding Availability (NOFA), \$22M instead of \$20M.

housing directive restricts all funding to capital costs related to affordable housing development and preservation. This includes development hard costs (i.e. materials and construction), soft costs (i.e. architecture and legal fees) and delivery costs (i.e. project administration costs). Other important housing affordability programs, such as rent subsidies, operating reserves, or tenant legal services, are not eligible for financing with Measure O funds. Bonds will be issued in multiple series over a predetermined period, and the City must have an expectation when tax-exempt bonds are issued that at least 85% of the funds from such issuance will be dispersed within three years of the issuance. All funds must be expended within five years of issuance.

Table 1. Current Available and Projected Affordable Housing Funding Sources

Source	Amount	Notes
Measure O*	\$59M	Amount available after funds reserved for specific projects, including an allowance of \$22M for a BUSD-sponsored project. Staff anticipate \$2M in 2022, \$35M in 2025, and \$22M in 2027. All funds must be expended within five years of issuance.
Measure U1	\$2.5M	Anticipated available for HTF activities in FY2023, pending availability of revenue. This amount could be lower if commercial tax revenue is lower than projected.
Permanent Local Housing Allocation (PLHA)	\$3M	Anticipated available for HTF rehab activities in FY2023-2025, pending availability of revenue. These are not included in the total for the BART sites since the City's application designated them for rehabilitation. All PLHA funds must be spent by 6/30/2030. Annual allocations will not be distributed if current year's uncommitted funds exceed the following year's allocation.
HTF ²	\$3.4M	Balance currently available less amounts requested by CHDC/St. Paul AME and CHDC/Ephesians for predevelopment and SBNDP rehab project.
Total	\$67.9M	

Note: *This amount is \$2M less than noted in 02/01/2021 MOBOC meeting staff report based on the updated amount reserved for the BUSD NOFA, \$22M instead of \$20M. This HTF amount currently does not account for any HOME funds but City will likely receive more next fiscal year, typically around \$1M per year.

B. Estimated City Subsidy Needed for Ashby and North Berkeley BART

There are major outstanding questions critical to pinpointing the exact amount and timing of City subsidy needed to fulfill the City-BART MOU minimum requirement of 35% affordable housing at both BART sites (or higher). These questions include what the actual design of the proposed development will be, including the amount of BART patron parking and other desired community amenities.⁵ Because the subsidy needs are so high, the City cannot wait until all of these questions are settled and must begin planning for sources for the City's contribution to the development of these sites.

As noted in more detail in the Planning & Development Department's February 1, 2021 staff report, Street Level Advisors estimates that achieving the minimum 35% affordable housing goal outlined in the City-BART MOU will require **approximately \$53 million** in affordable housing subsidy from the city of Berkeley. Among the different projected development scenarios modeled, this estimate of City subsidy required was selected because it corresponds with zoning standards that must be accommodated according to AB 2923.^{6,7} This estimate assumes funding projects by 2025. Alternatively, if it is assumed that these projects are phased over a 10-year period the total city funding need increases to \$55 million due to expected cost increases.

Because of the uncertainty in the timing of completion of the affordable housing projects at these BART sites, it may be prudent for the City to avoid tying up all of its currently available funding for a period of 15 years or longer. Given that achieving 35% or higher affordable housing is estimated to take 11 to 17 years or more and over multiple phases of development to complete, the total amount of City subsidy may not be needed in one lump sum, but phased over time. This is particularly true if the City intends to plan for exceeding the minimum 35% requirement. Exceeding 35% affordable housing at either site would require a new source of funding, possibly one which will require approval by Berkeley voters. **Table 2** below presents one scenario for the timing of funding need for a set of five separate affordable housing projects at the two sites.

⁵ See Background section of this report for more information about a parallel, grant-funded station access and parking management study BART has initiated.

⁶ See Table 9, Attachment 1 of Staff Report (2/1/21) available online:
https://www.cityofberkeley.info/uploadedFiles/Housing/Level_3_-_General/2021-02-01_MOBOC%20Agenda%20Packet.pdf

⁷ Because Assembly Bill 2923 (AB 2923) requires that the zoning standards for the sites allow development of at least 7 stories, the conceptual site design using a 7-story building height at each BART site (estimated at 850 apartments at Ashby and 775 apartments at North Berkeley) was selected to further model potential project phasing various levels of affordability. 35% affordable at both sites would result in 298 affordable units at Ashby and 271 at North Berkeley. These development projections for the BART sites are conceptual only, for the purposes of analyzing potential City subsidy needed and to inform development of zoning consistent with AB2923.

Table 2. – Street Level Advisors’ 1/21/21 Memorandum, Table 12: Hypothetical Project Funding Timeline (35% Affordable at Both Sites) – City Subsidy⁸

# Units Per Project Phase	2025	2026	2027	2028	2029	2030	2031	2032
Ashby								
Ashby #1			99					
Ashby #2				99				
Ashby #3								99
North Berkeley								
North Berkeley #1			136					
North Berkeley #2						136		
Ashby	9,253,403	9,531,005	-	-	-	10,727,230		
North Berkeley	12,509,008			13,668,931				
Total	21,762,411	9,531,005	-	13,668,931	-	10,727,230	-	-

C. Other Potential Requests for City Affordable Housing Funding

At this time, staff is aware of the following potential projects that may request City affordable housing funding. For projects #1 through #4 listed in **Table 3** below, staff have provided preliminary estimates based on information currently available. These four projects are currently under predevelopment and will likely require a commitment of local funds in the next 12 to 24 months in order to leverage additional funding from various state and federal programs, including federal or state low income housing tax credits and the State Multifamily Housing Program among others. For the remaining projects #5 through #12, staff is unable to provide actual estimates since the project scope is currently unknown. Assuming a local (City) funding amount of \$200,000/unit, an average project local subsidy of approximately \$10 million for a 50-unit project. However, this estimate could be higher based on unknown future factors including construction costs, total units and housing type. All variables are site specific and cannot be predicted with precision.

⁸ Based on conceptual site design assuming 850 housing units at Ashby and 775 at North Berkeley.

Table 3. Potential Requests City Affordable Housing Funding

Project	Sponsor	Notes
1. St. Paul AME 2024 Ashby Ave.	Community Housing Development Corporation (CHDC)/ St. Paul AME	Has requested predevelopment funds from the City. Projects a future development funding request of \$10.4M. This is very preliminary number and would likely be higher.
2. Ephesians 1708 Harmon St.	CHDC/ Ephesians ECOGIC	Has requested predevelopment funds from the City. Projects a future development funding request of \$10.6M. This is very preliminary number and would likely be higher.
3. 1740 San Pablo Avenue	BRIDGE Housing	HTF Pipeline project may request additional funds due to changes in the financing plan, including not receiving as many Project-Based Section 8 Vouchers as requested. Projects a future development funding request of \$4M.
4. People's Park Permanent Supportive Housing	UC Berkeley / Resources for Community Development	Currently in predevelopment; HHCS has not received a funding request. Projects a future development funding request of \$11M. This is very preliminary number and would likely be higher.
5. Lorin Station / Rosewood Manor Rehabilitation	South Berkeley Neighborhood Development Corp.	City approved \$2.5M for emergency rehabilitation of 49 units (14 @ Lorin, 35 @ Rosewood) to begin Spring/Summer 2021. Owner considering a more comprehensive rehabilitation which would likely require local subsidy.
6. 1001-1011 University Ave.	City	City owned site for redevelopment
7. West Berkeley Services Center	City	City owned site for redevelopment; pending zoning study and Council identification of priorities
8. Oregon Park Apartments	Oregon Park Apartments	Privately owned apartment building housing low-income seniors; has outstanding housing code violations
9. YMCA Conversion	YMCA	YMCA is exploring converting part of its facility to housing
10. 3404 King Street		Rehabilitation needs.
11. Russell Street Residence	Berkeley Food and Housing Project	Board and Care facility; Owner is marketing rented site for \$7M.
12. Various projects in the HTF portfolio	Various	Some properties have rehabilitation needs that exceed available cash flow.

D. Options for Consideration

As noted above, there is a greater amount of City funding needs identified than currently available. Estimates of City subsidy required were based on an assumption of \$200,000 City funding per affordable housing unit.⁹ Potential options to fulfill the City-BART MOU milestone of identifying funding sufficient for at least 35% affordable housing at the BART sites, as well as other City housing priorities are outlined below.

A. Recommended Option:

For the BART sites:

1. *Commit Funding for City-BART MOU Required Minimum of 35% Affordable Over Specified Time Period.* As noted above, because of the uncertainty of the timing of completion of the affordable housing projects at the BART sites, an alternate approach would be for the City to commit and hold a significant amount of its current Measure O funding and pledge other future expected affordable housing funding to the BART projects in the event that the City is unable to identify new funding sources. For example, the City could pledge \$40 million in existing Measure O resources and commit to funding at least \$13 million from a new revenue source to be identified no later than 2024. In order to address the uncertainty of an unidentified source of new funding, the City could pledge the next \$13 million in future Affordable Housing Mitigation Fee (AHMF) revenues received for the BART sites. While the timing of AHMF revenue is uncertain, Berkeley received \$11.3 million in AHMF revenue between 2015 and 2019 (an average of \$2.3M/year), which would cover the remaining need, if necessary.
- *Advantage(s):* In addition to potentially increasing the City's HTF portfolio significantly, this approach would satisfy BART's funding threshold. It would leave at least \$21 million (or more) of Measure O funds available for other housing priorities. Because of the need to phase projects over time, the total amount of City subsidy is not needed all at once; initial phases could move forward. This approach also incorporates the City Council referral to the City Manager to develop a policy to earmark the Affordable Housing Mitigation fees collected from projects in the Adeline Corridor Planning Area to be placed in a fund dedicated for affordable housing at the Ashby BART site. It also gives the City time to pursue a new funding source without delaying the BART projects. An initial commitment of \$40 million would be sufficient to fully fund the first one to two phases of affordable housing at each site. This would allow the City,

⁹ The total project subsidy per unit would be much greater, including state and federal sources. For a more detailed explanation of this assumption see pp.7-11 of Street Level Advisors Memorandum from January 21, 2021 (Link provided at the end of this staff report).

BART and their future development partners to initiate affordable housing projects. Under the terms of the BART MOU, the City would have a greater than typical role in selecting the developer and shaping the project in exchange for this commitment.

- *Challenge(s):* Berkeley's AHMF revenue could fall or be significantly delayed by a broader housing market downturn so that the City would not have the necessary funding for a project by 2033. It is important to note that this would not prevent the project from being built, it might delay this final phase by a few years while the City waited to receive the funding. Alternatively, the City would need to identify another source of funding which was available to be committed to projects by no later than 2028 in order to maintain the pace of development assumed.
2. *Investigate a Bond Measure For the BART Sites, Adeline Corridor and/or City as a whole.* The City could investigate a new bond measure to fund housing at the BART sites and/or infrastructure in the Adeline Corridor or the City as a whole, in combination with the option above.
- *Advantages:* A bond measure could make more funds available to achieve the equity and affordability envisioned by the community for the BART sites, as well as make funds available for other City housing priorities.
 - *Challenges:* Given the current economic situation and the City's budget, it is not certain whether a bond measure would be feasible or passed by voters.

For Other City Housing Priorities:

3. *Issue One or More NOFAs Using PLHA, HTF, HOME Funds and Any Remaining Balance of Measure O Funds not Dedicated to BART Commitment.*

In 2020, the City was awarded funds from the state's Permanent Local Housing Allocation program. Since program funds come from document recording fees, and the real estate market has undergone changes during the pandemic, it is uncertain whether the \$1.3 million per year projected in 2019 will continue. On July 14, 2020, the City Council adopted a 5-year plan which was submitted to the state for this application. It committed to using the funds for homeless programs in year 1 and 2. In year 3 to 5, the plan specified providing project-based rent subsidies for 10 units for homeless households with 20% of the funds, and the balance (approximately \$1 million per year in years 3-5) for affordable housing rehabilitation. While the PLHA funds may not be used to support new construction of affordable housing developments, they may be used in conjunction with other funds available through the Housing Trust Fund to support the overall program design of a project.

Staff recommends issuing one or more NOFAs using the PLHA, HOME, HTF funds, Measure U-1, and any remaining balance of Measure O funds available for affordable housing development projects using the Housing Trust Fund Guidelines and operating subsidy guidance established by staff to ensure projects meet the program expenditure requirements. Staff recommends that the Housing Advisory Commission review these proposals as part of the process.

B. Other Options:

As noted, the options described below are not recommended because they tie up City affordable housing funds before they are needed for the BART sites, and could preclude other projects that would provide affordable housing sooner.

1. *Commit Funding for City-BART MOU Required Minimum of 35% Affordable Immediately.* As noted above, a planning-level estimate for the amount of City subsidy needed for 35% affordable housing at both BART sites is approximately \$53 million.¹⁰ Reserving \$53 million of the \$59 million available Measure O funds would leave only \$6 million of Measure O funds for other affordable housing projects elsewhere in the City; and \$8.9 million in other housing funds, including HTF, Measure U1 and PLHA funds.
 - *Advantage(s):* In addition to potentially increasing the City's HTF portfolio significantly, this approach would satisfy BART's funding threshold. Under the terms of the BART MOU, the City would have a greater than typical role in selecting the developer and shaping the project in exchange for this commitment.
 - *Challenge(s):* Because of the time and phasing required for even this level of affordability, this would require the City to hold back a substantial amount of potential housing for 11 or more years or more while many possible projects elsewhere in the City (some identified under Background, below) could not be funded.
2. *Commit All Measure O and Measure U1/HTF funds to BART Sites.* Alternatively, the City could commit all available Measure O funds (estimated at \$59M) and the Measure U1 general funds that the Council designated for the HTF program (\$2.5M) to the BART sites in order to increase the affordability level that can be achieved. The PLHA funds listed above have been designated for a rental subsidy program and rehabilitation projects and are not available to use for the BART project. Staff also do not recommend using the current HTF balance for

¹⁰ The estimate of \$53 million is based on a conceptual site design assuming 850 units at Ashby and 775 at North Berkeley on developable areas modeled at seven stories (the lowest possible maximum height required by Assembly Bill 2923) assuming \$200,000/unit of City subsidy.

this; HTF funds are needed to leverage federal HOME funds (typically about \$1M/year), and the City risks not being able to use HOME funds within the time constraints without local funds to use with them.

- *Advantages:* Reserving a higher level of funding increases the percentage of affordable housing that can be attained. The City could still make available PLHA, HTF, and HOME funds for multifamily housing rehabilitation. Under the terms of the BART MOU, the City would have a greater than typical role in selecting the developer and shaping the project in exchange for this commitment.
 - *Challenges:* Because of the time and phasing required for even this level of affordability, this option would require the City to hold back a substantial amount of potential housing for five to 17 years or more while many possible projects elsewhere in the City could not be funded. The City's federal HOME funds typically include expenditure deadlines which could make using them at the BART site infeasible; these funds are difficult to administer without local funds and it is possible they would be at risk of needing to be returned if no local funds were available.
3. *Reserve \$50M for the Ashby BART station area and/or Adeline Corridor, as recommended by the Planning Commission and referred by Council to the HAC and Measure O Commission, and either reserve the balance of funds for the North Berkeley station area and/or investigate a bond measure for that site.*
- *Advantages:* May prioritize development in the Ashby BART area and enable other development in the Adeline Corridor if funds permit. As noted in Table 5 below, there are two proposed affordable housing projects (co-sponsored by the Ephesians Church of God in Christ and St. Paul's AME) that will be in the Adeline Corridor (assuming anticipated amendments to the parcels' General Plan and zoning are approved).
 - *Challenges: If all funds are reserved:* Because of the time and phasing required for even this level of affordability, this would require the City to hold back a substantial amount of potential housing for five to 17 years or more while many possible projects (some identified under Background, below) could not be funded.
4. *Investigate a Bond Measure For the BART Sites, Adeline Corridor and/or City as a whole instead of reserving funding for the BART sites at this time.* The City could wait to allocate funding for the BART sites and investigate a new bond measure to fund housing at the BART sites and/or infrastructure in the Adeline Corridor or the City as a whole.

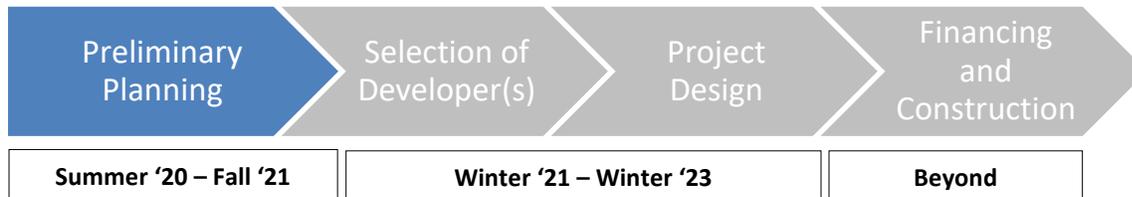
- *Advantages:* A bond measure could make more funds available to achieve the equity and affordability envisioned by the community for the BART sites, as well as make funds available for other City housing priorities.
- *Challenges:* Given the current economic situation and the City's budget, it is not certain whether a bond measure would be feasible or passed by voters, so this option on its own, does not fulfill the set-aside commitment the City made to advance the BART sites with at least 35% affordable housing. Putting a bond measure on the ballot without dedicating funds now would probably delay the start of development by two or more years. Deciding not to allocate funding prior to BART's anticipated developer solicitation next winter might be interpreted as a lack of commitment to prioritizing affordable housing at the BART stations, and could cause developers to be uncertain about the City's support for these projects. Further, the City would not be able to take a greater than usual role in the developer(s) selection and approval process (as stipulated in the MOU) and/or BART may revise its 10-Year Workplan and prioritize working with other jurisdictions on TOD projects.

BACKGROUND

As detailed in the companion report from the Department of Planning & Development, the City Council and BART Board unanimously adopted a Memorandum of Understanding (MOU) in December 2019 and January 2020. The MOU established a timeline for a City decision to "set-aside sufficient funding to assure BART, in its sole discretion, that at least 35% of the housing units proposed to be constructed at the BART properties would be deed-restricted to low, very low and/or extremely low affordable housing" (City and BART MOU, Section IV.A). Due to delays caused by the pandemic, BART and the City mutually agreed to extend the deadline for this decision from December 2020 to April 2021. According to the MOU, BART and the City are to confer to determine whether the City will have greater than normal level of involvement in the developer selection process following this decision.

At this point in the planning process, there are still many "unknowns" that will need to be revisited in the future to inform the final number and type of affordable units that will be proposed at the Ashby and North Berkeley BART stations. Despite these outstanding questions, it is possible to estimate orders of magnitude of the amount of public subsidy needed to achieve various amounts of affordable housing, in order to inform preliminary decisions and next steps to securing needed funding.

Figure 1. Planning Process for Berkeley Transit-Oriented Development



On December 8, 2020, in their action on the Adeline Corridor Plan, the City Council referred the following Planning Commission recommendation to the HAC and Measure O Commission: *“Set-aside at least an initial allocation of \$50 million of local funds for affordable housing (e.g. Measure O, Measure U1, Measure P, Housing Trust Fund) for the Adeline Corridor, and in particular, for the Ashby BART subarea.”* The Council also referred to the City Manager *“to develop a policy for the Affordable Housing Mitigation Fees collected from projects in the Adeline Corridor Planning Area to be placed in a fund dedicated for affordable housing at the Ashby BART site.”*

The City has reserved and committed funds through the Housing Trust Fund and Small Sites Programs to nine projects. Staff continue to work with these projects in the predevelopment and construction phases (**Table 4**).

Table 4. Currently Reserved City Affordable Housing Funding

Project	Sponsor	Units	Total City Funds Reserved	Projected Sources of Funds	Status
1. 1638 Stuart Street (Small Sites Program)	Bay Area Community Land Trust	8	\$1,653,663	General Fund (U1)	In contract/ Construction
2. 1740 San Pablo Avenue	BRIDGE Housing	53	\$7,500,000	Measure O (1 st issuance)	In contract/ Acquisition
3. 2321-2323 10th Street	Northern California Land Trust	8	\$1,620,640	General Funds (U1)	In contract/ Acquisition
4. 2527 San Pablo Avenue	Satellite Affordable Housing Associates (SAHA)	62	\$11,500,000	HTF, Measure O (1st), LHTF if successful	Reserved

Table 4. Currently Reserved City Affordable Housing Funding (Cont'd)					
Project	Sponsor	Units	Total City Funds Reserved	Projected Sources of Funds	Status
5. BFHP Hope Center (2012 Berkeley Way)	Berkeley Food & Housing Project (BFHP)/ BRIDGE Housing	44	\$16,964,507	HTF, General Funds (U1), Measure O (1st)	In contract/ Construction
6. BFHP Hope Center PSH (2012 Berkeley Way)	BFHP/ BRIDGE	53	\$7,727,630	Measure O (1st)	In contract/ Construction
7. BRIDGE Berkeley Way (2012 Berkeley Way)	BRIDGE	89	\$2,774,925	Measure O (1st)	In contract/ Construction
8. Jordan Court (1601 Oxford)	SAHA	35	\$6,026,927	HTF (mitigation fees and HOME), Measure O (1st)	In contract/ Construction
9. Maudelle Miller Shirek Community (2001 Ashby)	Resources for Community Development	86	\$17,000,000	Measure O (2 nd issuance)	Reserved/ Acquisition
10. BUSD-Sponsored Educator Housing	Berkeley Unified School District/TBD	TBD	TBD. NOFA estimated at \$22 M	Measure O (2nd)	Pending Council approval of NOFA.*

*Note: The BUSD proposal will be reviewed by staff, MOBOC, and Council before any funding is reserved for the actual project.

Referenced Report Link:

1. 2/1/21 Measure O Bond Oversight Committee, Item 5 Staff Report, Attachment 1: Estimated Need for Housing Subsidy for the Ashby and North Berkeley BART Stations – Memorandum prepared by Street Level Advisors (January 21, 2021):

- https://www.cityofberkeley.info/uploadedFiles/Housing/Level_3_-_General/2021-02-01_MOBOC%20Agenda%20Packet.pdf

Measure O Bond Funds

updated 1/14/2021

	Budgeted		Expenditures		
			Actual FY2020 7/19-6/20	Planned FY2021 7/20-6/21	Planned FY2022 7/21-6/22
	Revenue	Expenses			
carryover balance			0	37,261,220	15,248,750
1st issuance	38,000,000		38,000,000		
costs of 1st issuance		(785,000)	(785,000)		
2nd issuance	40,000,000				40,000,000
HTF Loans (contract dates)					
BRIDGE Berkeley Way (6/1/2020)		(179,494)	-	(179,494)	
BFHP Hope Center TH (6/1/2020)		(6,909,837)	-	(4,500,000)	(2,409,837)
BFHP Hope Center PSH (6/1/2020)		(6,731,092)	-	(6,731,092)	
Jordan Court (6/15/2020)		(4,179,091)	-	(3,501,884)	-
SAHA/Blake/2527 San Pablo Avenue		(11,500,000)	-		(11,500,000)
BRIDGE/1740 San Pablo Avenue		(7,500,000)	-	(7,100,000)	(400,000)
2001 Ashby		(15,432,000)			(15,432,000)
Other costs and interest					
interest (6/30/2020)	96,220		96,220		
Berkeley Way - outside counsel		(143,347)			
Berkeley Way - construction monitor		(350,000)	-		
Finance Dept. bond consultant		(50,000)	(50,000)		
total	78,096,220	(53,759,861)	37,261,220	15,248,750	25,506,913
Balance remaining		24,336,360			