

MEMORANDUM

To: Budget and Finance Policy Committee

From: Lisa Warhuus, Director, Health Housing & Community Services

Date: October 28, 2021

Subject: **Affordable Housing Development Update**

This memo provides an update on the City's current affordable housing development activities, but does NOT include information on other important City programs addressing low-income and unhoused people including: Shelter Plus Care, Rapid Rehousing funds, Below Market Rate units, and support for McKinley House, Russell street, YSA Tiny homes, and King Street TAY housing.

Rather, it is focused on City supported development and rehabilitation of permanent housing projects. Over the last few years, significant progress has been made toward creating pathways to permanent housing and developing new housing units. Since the Housing Trust Fund (HTF) was established in 1990, HTF loans have supported the creation of 1,376 units of affordable housing in Berkeley. Current HTF funding reservations are supporting new construction projects in various stages of predevelopment and active construction that will add 559 units of affordable housing. This reflects a 41% increase to the City's portfolio. This effort is a top priority for the City and has continued without disruption in spite of the COVID-19 pandemic and associated challenges.

There are two significant issues not directly included in this update that should be considered in order to understand the entirety of the City's affordable housing development commitments.

1) Long Term Feasibility:

Figures in these tables (presented below) represent funds available and or allocated/reserved for the predevelopment and development costs of the projects, with some operating reserves built in. However, with these projects, experience has shown that there are often additional service costs and maintenance costs needed throughout the duration of the project that are difficult to support with the rents collected from residents. While services are generally funded from other (usually City) funds outside of development funding, it is important to remember that with each of these projects the City is also committing to additional future support to keep the projects successful as needed.

2) Developer Capacity:

It is critical to expand the City's housing development partnerships to include organizations with more housing development experience on both technical

housing issues and financing. While this could be done via direct appeal to organizations who already have this expertise a preferred route, from an equity lens, could be to build capacity among more diverse organizations that have roots in Berkeley. Many of the smaller organizations with laudable missions have less direct housing development experience which requires more intense COB staff involvement than with more experienced partners. The City has committed some capacity building resources to this end, and more is needed to get smaller developers in a position to succeed.

Below is a summary of current available and projected resources for affordable housing as of October 2021 and an analysis of cost factors, followed by all current and anticipated affordable housing projects.

Resources for Affordable Housing Development and Rehabilitation

Table 1 provides an overview of currently available and projected resources. “Amounts” listed below reflect the NET figure of current fund balance, minus both *actually* encumbered amounts as well as *reserved* amounts not yet formally encumbered or dispersed.

Table 1 Current Available and Projected Resources

(Resources in current HTF RFP and Educator Housing NOFA are considered reserved and are not reflected as available in the following table)

Funding Source	Amount	Notes
Measure O (see attachment 1 for detailed reservations)	\$ 0	Total Measure O Funds: \$135 million Allocated/Reserved*: \$135 million 1 st issuance/2020: \$38 million 2 nd issuance/2022: \$40 million 3 rd issuance/2025: \$35 million 4 th issuance/2027: \$22 million <i>*pending Council approval of \$17 million through the 2021 Housing Trust Fund RFP</i>
Measure U1 (see attachment 2)	FY22 – \$6,121,971 FY23 – \$3,728,954	Net figures include: → FY22 rev: \$5,120,350 FY23 rev: \$5,222,757 → Expenditure of \$2.5 million in current HTF RFP
Permanent Local Housing Allocation Fund (FY23-25 included in current RFP)	\$ 0	\$1.2 million/year for 5 years. Years 1&2 to fund homeless services and Homekey project, years 3-5 for HTF and ten project-based subsidy units for homeless. Award for years 3-5 is pending through 2021 HTF RFP.

Berkeley Housing Trust Fund (see attachment 3)	\$ 0	The current balance of HTF funds is expected to be reserved through the 2021 HTF RFP.
State Local Housing Trust Fund (LHTF)	\$ 0	City awarded \$5 million; allocated to 2527 San Pablo and 2001 Ashby projects
Total Available Funds:	\$ 0	* U1 funds are also available, but are not specifically dedicated to housing development projects and have in the past funded other important community programs. It will be up to Council to determine the amount of these funds available for housing.

HOMEKEY

Not included in the above table is funding for the proposed Homekey project. Responses to the current RFP were received October 26, 2021. Funding for this project is partially represented above through the first two years of PLHA allocation with additional funding from Measure P (\$5 million) and HOME-ARP (\$2.3M, from the American Rescue Plan).

Additional Considerations:

- 1) As noted above, funding sources such as No Place Like Home come with significant long-term service dollar commitments. As we support additional projects designed to serve our highest needs clients, long-term service need requirements must be considered.
- 2) While many of the projects listed above are considered fully funded at the current budgets, experience has shown that additional funds are often needed to successfully complete these projects which represent as yet unidentified and unfunded project expenses. We need to have funds available to be able to meet these needs in a timely manner.

Currently, future funds available for affordable housing development and rehabilitation will come from COB annual HOME allocation (restricted to eligible developments) and fees generated through Condo Conversion, Housing Mitigation, and Inclusionary in Lieu programs. Fees generated through these programs vary greatly depending on the number and scope of development projects each year.

Therefore, there is no certainty as to the amount of funds that will be available to continue to support current projects as well as new affordable housing development projects in the near future. Staff are concerned about funding predevelopment loans for new projects that will need significant additional development funds to successfully complete the project before the City has developed a clear funding strategy for future projects.

Affordable Housing¹ Forecast

See Tables 2 and 3 for current and possible affordable housing projects. In addition to the projects in the pipeline there are multiple existing portfolio projects with significant (\$ millions) in identified rehab needs based on City staff monitoring.

Also note that the City will need voter approval to increase Article 34 authority in November 2022 in order to move forward with some of the projects listed below.

¹ The HTF provides funding to support housing for people living with incomes ranging from 20% of Area Median Income to 60% of AMI. Most homeless households in Berkeley have incomes below 20% of AMI. NPLH units are included in the total unit count.

Table 2 Current Affordable Housing Project Reservations

New Construction Projects							
Project	Type	Sponsor	Projected Units	Total City Funds Reserved	Projected Sources of Funds	Status of Funds	City Funded Operating and Services
BFHP Hope Center (2012 Berkeley Way)	Shelter and transitional Housing	Berkeley Food & Housing Project/ BRIDGE Housing	44	\$16,964,507	HTF, General Funds (U1), Measure O (1 st)	In contract and under construction. Estimated completion in June 2022.	Reserve funded in permanent loan. Additional City funding would be needed for 24/7 operation – Estimate: \$190,000.
BFHP Hope Center PSH (2012 Berkeley Way)	Permanent Supportive Housing	Berkeley Food & Housing Project/ BRIDGE Housing	53	\$7,727,630	Measure O (1 st), HTF	In contract and under construction. Estimated completion in June 2022.	<i>No Place like Home</i> – 16 of 53 units
BRIDGE Berkeley Way (2012 Berkeley Way)	Affordable Housing	BRIDGE Housing	89	\$2,774,925	Measure O (1 st), HTF	In contract and under construction. Estimated completion in June 2022.	\$0
Jordan Court (1601 Oxford)	Affordable Housing	Satellite Affordable Housing Associates	35	\$6,026,927	HTF (incl. HOME), Measure O (1 st)	In contract and under construction. Estimated	\$0

						completion December 2021	
Maudelle Miller Shirek Community (2001 Ashby)	Affordable Housing	Resources for Community Development	87	\$17,000,000	Measure O (2 nd), U1, LHTF	In contract for \$1.568M (U1) for predevelopment activities. Pending amendment to advance \$1.5M (Measure O). Estimated construction start in February 2022	<i>No Place like Home</i> – 12 of 86 units
2527 San Pablo Avenue	Affordable Housing	Satellite Affordable Housing Associates	63	\$12,000,000	HTF, Measure O (1 st), General Funds (U1), LHTF	In contract for \$5.5 million for acquisition and predevelopment. Estimated construction start in February 2022.	\$0
1740 San Pablo Avenue	Affordable Housing	BRIDGE Housing	54	\$7,500,000	Measure O (1 st)	In contract. Site acquired, in predevelopment phase. Estimated construction start in February 2023	\$0
St Paul Terrace (2024 Ashby)	Affordable Housing	Community Housing Development Corporation/St Paul AME	52	\$1,198,960	HTF	Reserved, contract in process for pre-development.	\$0
Ephesians Legacy Court (1708 Harmon)	Affordable Housing	Community Housing Development Corporation/Ephesians Church of God	82	\$1,056,400	HTF	Reserved, contract in process for pre-development.	\$0

		in Christ (ECOGIC)					
<i>Subtotal New Construction Projects</i>			559	\$72,249,349			\$190,000+ Per year
Renovation Projects							
Project	Type	Sponsor	Projected Units	Total City Funds Reserved	Projected Sources of Funds	Status of Funds	City Funded Operating and Services
1638 Stuart Street (Small Sites Program)	Community Land Trust / Limited Equity Coop	Bay Area Community Land Trust	8	\$1,653,663	General Fund (U1) and HTF	In contract and under renovation. Estimated completion in April 2022.	\$0
2321-2323 10 th Street	Community Land Trust	Northern California Land Trust	8	\$1,620,640	General Funds (U1)	In contract. Estimated renovation start in Spring 2022.	\$0
Lorin Station	Affordable Housing	South Berkeley Neighborhood Development Corporation	14	\$730,742	CDBG	Reserved, contract in process. Estimated renovation start 2022	\$0
Rosewood Manor	Affordable Housing	South Berkeley Neighborhood Development Corporation	35	\$1,792,491	CDBG and HTF	Reserved, contract in process. Estimated renovation start 2022	\$0
<i>Subtotal Renovation Projects</i>			65	\$5,797,536			
Total All Projects			624	\$78,046,885			\$190,000+ Per year

Table 2 Notes:

- Typically, the funding sources for each loan are decided at the time the loan is made (contract execution, construction start). This table shows current projections.
- The HTF program pools multiple sources, mostly mitigation fee revenue and HOME. Measure U1 general funds and Measure O funds must be approved by Council for housing development use.

Table 3 Additional Pending/Anticipated Demands for Housing Funds

Projects with Pending Funding Requests – Projects with Previous City Funding			
New Construction Projects			
Project	Sponsor	Projected Units	Notes
Ephesians Legacy Court	CHDC / EGOCIC	82	Requested \$12.9M through the 2021 HTF RFP.
St Paul Terrace	CHDC / St Paul AME	52	Requested \$9.84M through the 2021 HTF RFP.
<i>Projected \$4+M gap between requested and available funds for the two CHDC projects</i>			
Renovation Projects			
Project	Sponsor	Projected Units	Notes
1638 Stuart	Bay Area Community Land Trust	8	Requested \$400k in additional Small Sites Program funds (General Funds from U1)
Ashby Lofts	Satellite Affordable Housing Associates	54	Occupied HTF property. Requested \$850k through the 2021 HTF RFP for rehab.
MLK House	Resources for Community Development	12	Occupied HTF property. Requested \$1,128,974 through the 2021 HTF RFP for rehab.
2207 Haste	Northern California Land Trust	8	Currently vacant HTF property. Requested \$3.45M in operating support through the 2021 HTF RFP. Staff recommend funding rehab at \$500k.

Projects with Pending Funding Requests – No Previous City Funding			
New Construction Projects			
Project	Sponsor	Projected Units	Notes
BUSD Workforce Housing	BUSD / Satellite Affordable Housing Associates / Abode Communities	110	BUSD selected Satellite Affordable Housing Associates and Abode Communities to develop affordable housing at the Adult School site. Development team requested \$24.5M through the 2021 Educator Housing NOFA.
Supportive Housing at People's Park	Resources for Community Development	119	Requested \$14.4M through the 2021 HTF RFP, including \$3.45M in operating subsidy.
Berkeley Energy Resilience	Northern California Land Trust	50	Requested \$1M in predevelopment support. Will require a total City subsidy estimated at \$5.5M.
Renovation Projects			
Project	Sponsor	Projected Units	Notes
1685 Solano Avenue	Bay Area Community Land Trust	13	Requested \$3.5M. Pending approval and contingent on BACLT securing additional financing.
Pipeline Projects with Potential Additional Funding Needs			
Project	Sponsor	Projected Units	Notes
1740 San Pablo Avenue	BRIDGE Housing	54	Received fewer Housing Choice Vouchers from BHA than requested. Possible request of up to \$4.5M in development loan funds.
Known New Construction Proposals – no pending application			
Project	Sponsor	Projected Units	Notes
Ashby BART	BART w/ developer		Total of \$53 million set aside for these projects at 35% affordability. Additional funds will be needed to reach a higher percentage of affordable units.
North Berkeley BART	BART w/ developer		

Possible Future Proposals – no pending application			
Project	Sponsor	Projected Units	Notes
1001-1011 University (former Premier Cru)			
West Berkeley Service Center			Pending zoning study and Council identification of priority use (affordable senior housing, nursing care and assisted living were all mentioned).
Known Possible Rehab Requests: Staff are aware of a number of existing Housing Trust Fund properties with capital needs totaling ~\$16M. There are also projects outside the City's affordable housing portfolio that have expressed interest in housing funds for renovations.			
Other			
Project	Sponsor	Projected Units	Notes
1367 University/ Step Up Housing	BOSS and Patrick Kennedy	39	\$32,975 start-up costs + \$900k to \$1M/yr for 10 years (\$9M total) for operating support from Measure P funds. There are no City development funds in this project.

CC: Dee Williams-Ridley, City Manager
Paul Buddenhagen, Deputy City Manager
LaTanya Bellow, Interim Deputy, City Manager

Attachment 1 - Measure O

Measure O Bond Funds

Updated: 10/26/2021

	Budgeted/Projected		Actual	Actual	Planned	Planned
	Revenue	Expenses	FY2020 7/19-6/20	FY2021 7/20-6/21	FY2022 7/21-6/22	FY2023 and beyond
carryover balance				37,261,220	22,615,565	41,078,567
1st issuance	38,000,000		38,000,000			
costs of 1st issuance		(785,000)	(785,000)			
Finance Dept bond counsel		(50,000)	(50,000)			
2nd issuance (2022)	40,000,000				40,000,000	
estimated cost of 2nd issuance		(785,000)			(785,000)	
Finance Dept bond counsel		(50,000)			(50,000)	
3rd issuance (2025)	35,000,000					35,000,000
estimated cost of 3rd issuance		(785,000)				(785,000)
Finance Dept bond counsel		(50,000)				(50,000)
4th issuance (2027)	22,000,000					22,000,000
estimated cost of 4th issuance		(785,000)				(785,000)
Finance Dept bond counsel		(50,000)				(50,000)
Interest earned						
interest (6/30/2020)	96,220		96,220			
HTF Loans (contract dates)						
BRIDGE Berkeley Way (6/1/2020)		(179,494)			(179,494)	
BFHP Hope Center TH (6/1/2020)		(6,909,837)		(1,121,533)	(5,788,304)	
BFHP Hope Center PSH (6/1/2020)		(6,731,092)		(818,656)	(5,912,436)	
SAHA/Jordan Court (6/15/2020)		(3,501,884)		(2,906,118)	(595,766)	
SAHA/Blake/2527 San Pablo Avenue (4/15/2021)		(9,000,000)		(5,046,000)	(2,454,000)	(1,500,000)
BRIDGE/1740 San Pablo Avenue (11/30/2020)		(7,500,000)		(4,610,002)	(2,489,998)	(400,000)
RCD/2001 Ashby		(12,932,000)			(2,932,000)	(10,000,000)
SAHA/Abode/BUSD Workforce Housing		(24,500,000)				(24,500,000)
RCD/Supportive Housing at People's Park		(4,600,000)				(4,600,000)
RCD/Supportive Housing at People's Park		(2,706,097)				(2,706,097)
TBD CHDC Project		(12,702,470)				(12,702,470)
BART TBD - tranche 3		(18,000,000)				(18,000,000)
BART TBD - tranche 4		(22,000,000)				(22,000,000)
Misc Project Costs (tranches 1 and 2)						
Berkeley Way - outside counsel		(143,347)		(143,347)	-	
Berkeley Way - construction monitor		(350,000)		-	(350,000)	
total	135,096,220	(135,096,220)	37,261,220	22,615,565	41,078,567	-

Attachment 2 - Measure U1

Measure U1 Budget	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
	Actuals	Actuals	Actual	Actual (1)	Planned	Planned
Revenues						
<i>Beginning Fund Balance</i>	\$5,161,615	\$4,161,615	\$8,994,778	(\$1,071)	\$11,189,667	\$6,121,971
<i>ADD: U1 Fund Balance transferred from the General Fund</i>				10,017,583		
<i>ADD: Revenues</i>		5,828,443	5,597,359	3,845,045	5,120,350	5,222,757
Total Revenues and Available Fund Balance	5,161,615	9,990,058	14,592,137	13,861,557	16,310,017	11,344,728
LESS: Total Expenses	1,000,000	995,280	4,574,554	2,671,890	10,188,046	7,615,774
Personnel Costs	350,000	345,280	210,940	244,844	548,149	956,415
<i>Rent Board</i>			0	0	0	0
<i>HHCS (Measure O/Housing Trust Fund)</i>			81,315	161,518	189,707	597,973
<i>Finance (Rev Dev Position & Admin Costs)</i>	350,000	345,280	129,625	83,327	358,442	358,442
Non-Personnel and Other Program Costs	650,000	650,000	4,363,614	2,427,045	9,639,897	6,659,359
Small Sites/Community Land Trusts						
1638 Stuart/Small Sites loan (BACLT) -Contract # 31900285	-	-	230,122	231,732	420,767	-
1638 Stuart/Small Sites loan (BACLT) -Contract # 31900285 - pending request					400,000	
2321-2323 10th St./Small Sites loan (NCLT) -disburse in escrow - Contract # 32100097					715,000	
2321-2323 10th St. loan (NCLT) - Contract # 32100097	-	-	-	44,075	861,565	-
1685 Solano / Small Sites (BACLT) pending request					1,038,677	
Small Sites Program - unallocated					557,725	
Housing Trust Fund						
2001 Ashby predev (RCD) - Contract # 32000049	-	-	1,187,329	269,655	-	-
2527 San Pablo Ave (SAHA) - Contract pending	-	-	0		500,000	-
2012 Berkeley Way reserves (BRIDGE/BFHP) - Contract #32000250	-	-	-		3,000,000	3,023,365
Housing Trust Fund Program (proposed for inclusion in 2021 HTF RFP)	-	-	-	-		2,500,000
Development of New Housing Programs						
Organizational Capacity Bldg (BACLT)	-	-	100,000	100,000	200,000	200,000
Berkeley Unified School District Planning Grant	-	-	0	150,000	-	-
New Housing Programs/Land Trust/Coops	-	-	-			
Anti-Displacement						
Rent Board (EDC & EBCLC)	300,000	300,000		460,420	550,000	550,000
East Bay Community Law Center (EBCLC)	250,000	250,000	275,000			0
Housing Retention Program (EBCLC)	-	-	250,000	125,000	0	0
Eviction Defense Center (EDC)	-	-	275,000		250,000	250,000
Flexible Housing Subsidy Pool (BACS)	100,000	100,000	100,000	100,000	100,000	100,000
Additional City Priorities						
Berkeley Relief Fund	-	-	1,000,000	-	-	-
Landlord Incentives for Section 8 Participation					100,000	
1001, 1011 University Ave. acquisition	-	-	946,163	946,163	946,163	35,994
Fiscal Year Surplus (Shortfall)	4,161,615	4,833,163	1,022,805	7,345,693	(5,067,696)	(2,393,017)
Ending Fund Balance	\$4,161,615	\$8,994,778	\$10,017,583	\$11,189,667	\$6,121,971	\$3,728,954

Notes:

(1) In FY 2021, a separate fund was created for Measure U1 with the General Fund revenues being transferred into the fund. Beginning negative fund balance due to split payroll charges to FY 2020.

(2) Figures in italics and with background not yet approved by Council

Attachment 3 - Housing Trust Fund

Housing Trust Fund Balance Updated 10/26/2021	
Funding Sources	Amounts
HOME (310)	667,332
Housing Mitigation Fee (Commercial)	1,271,558
Inclusionary In Lieu Fee	393,540
Condo Conversion Fee	116,582
Housing Mitigation Fee (Residential)	3,075,628
HTF Total Funding Available	5,524,640

Note: The entirety of the current HTF Balance is expected to be reserved through the 2021 HTF RFP.