



Office of the City Manager

CONSENT CALENDAR

June 14, 2022

To: Honorable Mayor and Members of the City Council
 From: Dee Williams-Ridley, City Manager
 Submitted by: Lisa Warhuus, Director, Health, Housing and Community Services
 Subject: St. Paul Terrace Housing Trust Fund Reservation

RECOMMENDATION

Adopt a Resolution:

1. Reserving \$8,551,040 in Housing Trust Funds for Community Housing Development Corporation's St. Paul Terrace (2024 Ashby) affordable housing development, conditioned on the project obtaining planning entitlements within 24 months; and
2. Authorizing the City Manager or her designee to execute all original or amended documents or agreements to effectuate these actions.

FISCAL IMPACTS OF RECOMMENDATION

At its December 14, 2021 meeting, City Council reserved funding for housing development projects that submitted applications through the 2021 Housing Trust Fund Request for Proposals. Council's action including a reservation of the available Housing Trust Funds, as well as a forward reservation of funds from the third issuance of Measure O (anticipated in 2025) and FY2023 general funds generated pursuant to Measure U1.

Staff will determine the exact mix of funds from the Housing Trust Fund program for the development loan closer to the loan closing.

CURRENT SITUATION AND ITS EFFECTS

Consistent with Council's previous action, the Community Housing Development Corporation (CHDC) submitted a request for \$13 million in development funding for St. Paul Terrace (2024 Ashby Avenue). This request is in addition to predevelopment funding previously awarded, for a total requested City investment of \$16,698,960.

At its May 5, 2022 meeting, the HAC took the following action:

Action: M/S/C (Simon-Weisberg/Potter) to recommend that City Council reserve an additional \$8,551,040 for Community Housing Development Corporation's St. Paul

Terrace (2024 Ashby), conditioned on obtaining planning entitlements by June 28, 2022.

Vote: Ayes: Calavita, Fain, Johnson, Mendonca, Potter, Rodriguez, Sanidad, and Simon-Weisberg. Noes: None. Abstain: None. Absent: Lee-Egan (excused).

The funding recommendation is based on balancing the City's goals of supporting this project so it is competitive for state funding, and leveraging the City's limited housing resources to maximize the public benefit.

CHDC is partnering with St. Paul AME Church to develop affordable housing on the church's property. The proposed project would have 50 apartments serving households earning between 20%-60% of Area Median Income. The number of apartments was reduced from 52 in order to provide more 1-bedroom apartments and fewer studios. CHDC aims to reserve approximately 10 apartments for formerly homeless households, though their ability to do so depends on securing operating subsidy through project-based vouchers from the Berkeley Housing Authority.

CHDC anticipates securing entitlements under SB35 by early June. If successful in securing the City funding reservation and entitlements, CHDC plans to pursue state funding through the upcoming Super NOFA process (with applications due June 28, 2022).

Funding St. Paul Terrace is a Strategic Plan Priority Project, advancing our goal to create affordable housing and housing support service for our most vulnerable community members.

BACKGROUND

CHDC initially applied for development funding for St. Paul Terrace and another project, Ephesians Legacy Court (1708 Harmon Street), through the 2021 HTF RFP process. On December 14, 2021, with Resolution 70,135, City Council approved the HTF RFP funding recommendations. There were not sufficient funds available through the HTF RFP to fund both CHDC requests in their entirety. Instead, in that same resolution, City Council approved allowing CHDC to submit a revised proposal based on whichever project they deemed most ready to move forward first. That project could apply for up to approximately \$13 million in funds that were not allocated through the HTF RFP. Some or all of that funding would likely come from the third issuance of Measure O bond funds, which is currently projected for 2025. CHDC decided St. Paul was further along in predevelopment and submitted their revised proposal.

CHDC requested a City subsidy for St. Paul Terrace that is significantly higher than what the City has historically funded, at more than 44% of the total development costs and \$340,000 per affordable unit. The Housing Trust Fund Guidelines limit the amount of funding per project as follows:

The development loan amount will not exceed 40% of the project's total cost unless City Council makes a finding that a higher level of funding is justified by the nature of the assisted project and the unavailability of alternative funding.

In the past, exceptions have been made for renovation projects that aren't competitive for state funds (since those sources prioritize new construction projects).

New construction projects funded in recent years have City loans ranging from \$32,000 to \$225,000 per affordable unit and leveraged a higher percentage of state and federal funds than what CHDC proposed. Comparable new construction projects funded by the City have 27 to 38% of the total sources coming from the state (or County, when A1 funds were available), compared to 6% of funds currently proposed by CHDC for St. Paul Terrace.

ENVIRONMENTAL SUSTAINABILITY AND CLIMATE IMPACTS

The project addresses environmental sustainability in its project design and scope, and CHDC plans to build St. Paul Terrace to a third-party green building standard (either LEED Gold or GreenPoint Gold).

RATIONALE FOR RECOMMENDATION

The recommendation to fund St. Paul Terrace at an additional \$8.55M would result in a total investment of \$12.25M, which is equal to \$250,000 per affordable unit and 32% of the project's total development costs. This would still be the City's highest subsidy per affordable housing unit to date for a new construction project, but the subsidy is more closely aligned with other recent funding reservations than the requested amount. The Housing Trust Fund's goal is always to fund affordable housing projects at levels that support their competitiveness for state funding, balanced with the reality of finite City funding.

With a City award at this level, CHDC would need to leverage a greater proportion of state funding than they are currently projecting. CHDC indicated that the project is still feasible at the recommended funding amount. The project may not get all the state funding it needs through the Super NOFA this year, but if CHDC pursues project-based vouchers the project will be more competitive for state sources in subsequent funding rounds. Because the City funds are not projected to be available until 2025, this may not have an impact on the project's timing overall.

ALTERNATIVE ACTIONS CONSIDERED

Staff considered recommending funding St. Paul Terrace at CHDC's full request, or conditioning their funding recommendation on securing entitlements prior to the Super NOFA due date in June. Funding the project at a higher level would require a disproportionate amount of City funds, and could delay the full funding of Ephesians Legacy Court and any subsequent projects in need of City support. Conditioning the funding on entitlements by late June could have resulted in needing to return to Council

if the entitlement process is delayed by several weeks or more. Therefore, neither of these approaches are recommended.

CONTACT PERSON

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

Attachments:

1: Resolution

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

FUNDING RESERVATION APPROVAL FOR ST. PAUL TERRACE

WHEREAS, the 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, on November 6, 2018, Berkeley voters passed Measure O, a \$135 million bond measure to support the development and preservation of affordable housing; and

WHEREAS, the City issued a Housing Trust Fund Request for Proposals (RFP) on August 3, 2021 and subsequently received six responses, including two from Community Housing Development Corporation (CHDC); and

WHEREAS, at its December 14, 2021 meeting, Council approved the forward reservation of up to \$17 million from the third issuance of Measure O Bonds (anticipated in 2025) and \$2.5 million in FY2023 general funds from U1 to support projects seeking funding through the RFP; and

WHEREAS, between the available housing funds and forward reservations there were not sufficient funds to reserve funds for all six proposals in full, and

WHEREAS, the two CHDC projects (Ephesians Legacy Court and St. Paul Terrace) were in similar phases of predevelopment; and

WHEREAS, Council approved reserving the balance of funds available through the RFP (approximately \$13 million dollars, inclusive of the forward reservations of Measure O bond funds from the third issuance and FY2023 general funds from Measure U1) for a CHDC project to be determined based on the project's readiness and feasibility, and with the intent that once further predevelopment work has been completed and within 12 months from the date of this Resolution, the City Manager, CHDC, and the HTF Subcommittee work together to recommend a specific project for a funding reservation; and

WHEREAS, Council approved prioritizing future housing funds (including, but not limited to, HTF and Measure O funds) for the CHDC project (Ephesians Legacy Court or St. Paul Terrace) not funded through the RFP; and

June 14, 2022

WHEREAS, CHDC determined that St. Paul Terrace was further along in predevelopment, and submitted a revised proposal and requested an additional \$13 million in development funding; and

WHEREAS, on May 5, 2022 the HAC approved a motion recommending a \$8,551,040 funding reservation for Community Development Housing Corporation's St Paul Terrace (2024 Ashby Ave).

NOW THEREFORE, BE IT RESOLVED by the Council of the City of Berkeley that the Council approves the \$8,551,040 development funding reservation for Community Housing Development Corporation's St. Paul Terrace (2024 Ashby Avenue).

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

BE IT FURTHER RESOLVED that the funding reservation is conditioned upon the completion of the environmental review process, except as authorized by 24 CFR, Part 58, and that should HOME and/or CDBG funds constitute a portion of the funding for any project, a final commitment of HOME and/or CDBG funds shall occur only upon the satisfactory completion of the appropriate level of environmental review and also upon the receipt of approval of the request for release of funds and related certification from the U.S. Department of Housing and Urban Development, when applicable. The funding reservation for any of the HOME and/or CDBG funded projects is conditioned upon the City of Berkeley's determination to proceed with, modify, or cancel the project based on the results of subsequent environmental review under the National Environmental Policy Act.

BE IT FURTHER RESOLVED that the making of the loan shall be contingent on and subject to such other appropriate terms and conditions as the City Manager or her designee may establish.

BE IT FURTHER RESOLVED the City Manager, or her 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.