



Office of the City Manager

INFORMATION CALENDAR
November 21, 2023

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: Measure O Bond Impacts on Affordable Housing Development in Berkeley

SUMMARY

In 2018 Berkeley voters approved Measure O, a general obligation bond that will generate up to \$135 million for affordable housing developments. As this report demonstrates, the funds have had a significant impact on the production of new affordable housing units; expanding the City's Housing Trust Fund (HTF) portfolio and creating a robust pipeline of new housing developments.

CURRENT SITUATION AND ITS EFFECTS

As of September 2023, \$109,520,339 in Measure O funds have either been committed (via an executed loan agreement) or reserved (by Council action) for specific affordable housing development projects. This is actually a \$1.9M decrease from 2022, as a portion of the Measure O funds for The Grinnell (formerly known as Blake Apartments) was replaced with the City's HOME funds, which have an expenditure deadline. The projects with either committed or reserved Measure O funds are listed below:

Project Name	Address	Units	Measure O Funds	Status
Jordan Court	1601 Oxford	35	\$3,501,884	Completed
Berkeley Way – BRIDGE Affordable	2012 Berkeley Way	89	\$179,494	Completed
Berkeley Way Hope Center - Permanent Supportive Housing	2012 Berkeley Way	53	\$6,731,092	Completed
Berkeley Way Hope Center Shelter		44*	\$6,909,837	Completed
Maudelle Miller Shirek Community	2001 Ashby	87	\$12,932,000	Under construction
The Grinnell (formerly Blake Apartments)	2527 San Pablo	63	\$7,266,032	Under construction

Project Name	Address	Units	Measure O Funds	Status
1740 San Pablo	1740 San Pablo	54	\$7,500,000	Predevelopment
BUSD Workforce Housing	1701 San Pablo	110	\$24,500,000	Predevelopment
BART sites	North Berkeley & Ashby BART	TBD	\$40,000,000	Planning
Measure O impact:		>535 units	\$109,520,339	

* Shelter beds

The Council also reserved \$17 million from the third issuance of Measure O (anticipated in 2025) for one or more of the pipeline projects listed in the table below. The final mix of funds for each project will be determined prior to the execution of the City’s loan documents.

Project Name	Address	Units	City Funding	Status
Supportive Housing in People’s Park	2556 Haste	119	\$14,359,593	Planning
St. Paul Terrace	2024 Ashby	50	\$12,250,000	Predevelopment
Ephesian Legacy Court	1708 Harmon	80	\$18,087,701	Predevelopment
Total City Reservations			\$44,697,294	

Together, the awarded, committed, and reserved funds account for \$126,520,339 in Measure O funds. More details about these projects can be found in the attached Measure O Projects spreadsheet.

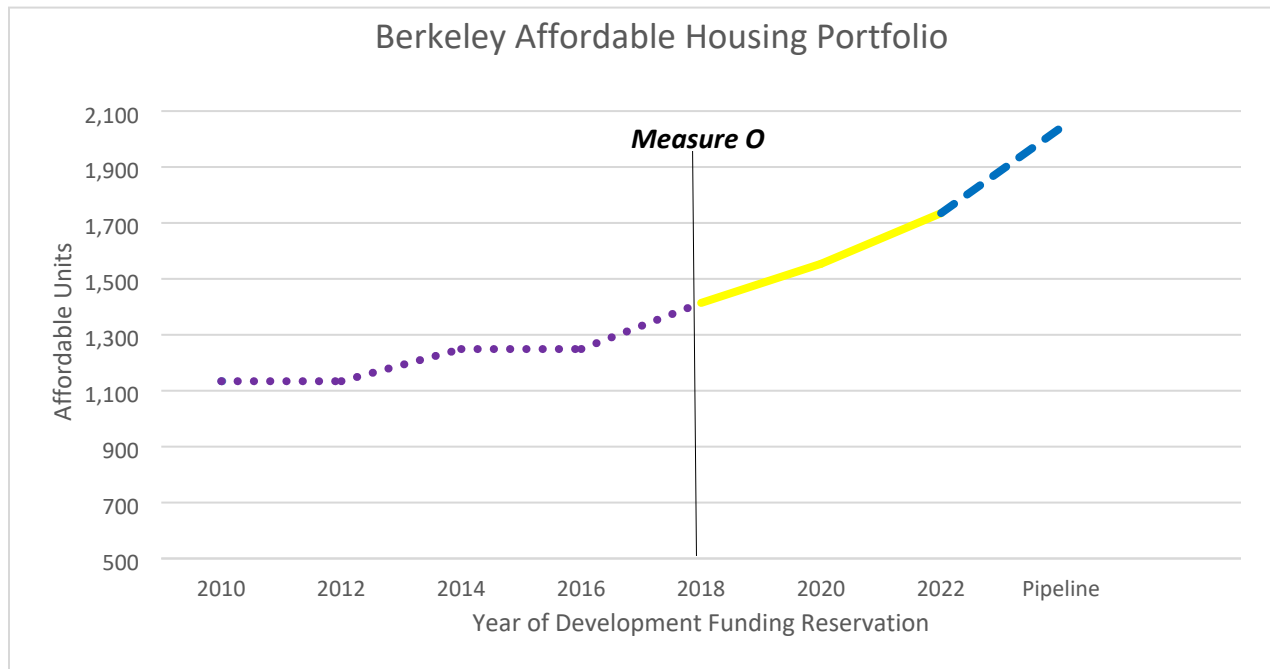
Measure O’s Impact on the City’s Affordable Housing Portfolio

Measure O supplements the City’s HTF program, which pools Affordable Housing Mitigation Fees, Inclusionary Fees, Commercial Linkage Fees, Condo Conversion Fees, and entitlement funds from the federal HOME program.

Prior to Berkeley voters’ approval of Measure O, the City was able to fund no more than one new construction project every few years. The 15-unit Harmon Gardens project was completed in 2011, and the next affordable new construction project was the 42-unit Harper Crossing, which was completed in 2018. The City issued an HTF Request for Proposals (RFP) in 2019 through which Council approved funding reservations for five new construction projects, all supported with Measure O, including four (Jordan Court and the three Berkeley Way projects) that were completed in 2022.

The City issued another HTF RFP in 2021 as well as a Notice of Funding Availability for an educator housing project on Berkeley Unified School District (BUSD)-owned land, and through those processes added three new construction projects to the pipeline (all currently in predevelopment). In 2010, the City had approximately 1,134 apartments in its portfolio of restricted affordable housing units. With completed projects, active projects, and pipeline projects, the City is on track to nearly double its portfolio in the coming years to more than 2,000 apartments.

The following chart shows the growth in the City’s affordable housing portfolio since 2010, and the impact Measure O has had on increasing the City’s inventory of apartments affordable to extremely low-, very low-, and low-income households.



Leveraging of City Funds

The City’s affordable housing development funds are most often reserved early in the predevelopment process. This allows project sponsors to compete for state and federal funds. 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.

Most affordable housing developments leverage the City’s investment with at least 5-7 other funding sources. Measure O-funded projects that are completed or under construction have secured an average of \$4.6 of other funding for every \$1.00 of City

funds. Leveraging data for funded developments can be found in the attachment to this report.

Measure O Disbursements

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 September 15, 2023, the City had disbursed \$41,570,998 in Measure O funds through seven development loans. Four housing developments are complete (Berkeley Hope Center, Berkeley Hope Center Permanent Supportive Housing, BRIDGE Berkeley Way, and Jordan Court) and two are under construction (Maudelle Miller Shirek Community and The Grinnell). These represent a total of 221 units (including 44 shelter beds) completed with Measure O support to date, and another 150 currently under construction. The City supported 1740 San Pablo with acquisition funding, and the project is currently in predevelopment.

The City is working closely with the San Francisco Bay Area Rapid Transit District (BART) on the development of the Ashby and North Berkeley BART sites with a goal of restricting at least 35% of the new units for affordable housing. City Council reserved \$53M in funding for the developments in 2021 through Resolution 69,833-N.S. Of the total reservation, \$13M will come from Affordable Housing Mitigation Fees and \$40M will come from the third and fourth issuances of Measure O.

In late 2022, BART and the City selected a development team for North Berkeley BART site that includes three nonprofit developers – BRIDGE Housing, Insight Housing (formerly Berkeley Food and Housing Project) and East Bay Asian Local Development Corporation. The team is still in the early stages of planning, but anticipate developing four 100% affordable projects at the site. The exact number of units and affordability levels will be determined later in the process. Council will have an opportunity to review the proposed projects when the nonprofit developers request development funds from the pool of reserved funds.

Developing affordable housing with Measure O funds supports the Strategic Plan goal to create affordable housing and housing support services for our most vulnerable community members.

BACKGROUND

In November 2018, Berkeley voters adopted Measure O which allowed the City to issue up to \$135 million in bonds to fund housing for "low-, very low-, low-, median-, and middle-income individuals and working families, including teachers, seniors, veterans, the homeless, students, people with disabilities, and other vulnerable populations."

As a bond measure dedicated to a specific purpose, Measure O required a two-thirds supermajority vote to pass. The measure passed with 77% of Berkeley voters voting in favor.

The City has issued Measure O bonds twice so far:

- In FY2020, the City issued \$38,000,000 in Measure O bonds. The cost of issuing these bonds, including bond counsel, was \$785,000. Net funds received were \$37,215,000.
- In May 2022, the City issued \$40,000,000 in Measure O bonds. The cost of issuing these bonds, including bond counsel, was \$432,800. Net funds received were \$39,567,200.

Measure O included provisions to establish an oversight committee as well as to conduct annual audits. The Measure O Bond Oversight Commission was first convened in April 2019. The Commission met seven times in 2019, one in 2020 prior to the pandemic, and again in February and March of 2021.

Subsequently, Council approved the assignment of Measure O oversight to the Housing Advisory Commission and dissolved the Measure O Bond Oversight Commission. The Commissions have reviewed requests for funding, made funding recommendations to Council, and received information about the status of funding reservations and commitments. Neither commission has produced its own report assessing the status of Measure O.

Finance contracted with 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 was the first year to be audited. The draft audit was completed on September 20th and had no findings.

Members of the public who are interested in learning more about Measure O funds as they are allocated and expended can consult the Housing Advisory Commission meeting agendas and materials online, and/or attend the Commission meetings.

ENVIRONMENTAL SUSTAINABILITY AND CLIMATE IMPACTS

The City's HTF Guidelines identify sustainable development as a City priority, and encourage developers to incorporate as many green building strategies and materials as is feasible. New construction affordable housing developments are typically built to third-party, green building standards such as LEED or GreenPoint Rated.

POSSIBLE FUTURE ACTION

Council will review and take action on funding reservations related to the development of affordable housing at the BART sites, which will be partially funded with Measure O funds.

FISCAL IMPACTS OF POSSIBLE FUTURE ACTION

The specific impacts of future Measure O reservations by the City Council will depend on the actions taken. Since the bond measure authorizing Measure O limited its uses to the housing activities described previously, any funds reserved will be for housing activities.

CONTACT PERSON

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Attachment:

1: Affordable Housing Projects Supported by Measure O

City of Berkeley
Affordable Housing Projects Supported by Measure O
Total Authorized Bonds = \$135M

Project Name	Project Address	Development Partner	Description	Units ¹	Affordability	Total Measure O Funds Committed or Reserved ²	Measure O Disbursements Through September 2023	Total City Funds Reserved	Projected Sources of Funds ³	Project Status
Projects with Measure O Commitments and Reservations										
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	\$161,544	\$2,774,925	Measure O, HTF	Completed
Berkeley Hope Center	2012 Berkeley Way	Insight Housing / 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	\$6,652,191	\$16,964,507	Berkeley's Housing Trust Fund (HTF), Measure U1 ⁴ (U1), Measure O	Completed
Berkeley Hope Center Permanent Supportive Housing	2012 Berkeley Way	Insight Housing / BRIDGE Housing	53 permanent supportive housing apartments.	53	0-30% AMI	\$6,731,092	\$6,721,092	\$7,727,630	Measure O, HTF	Completed
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	\$3,501,884	\$3,501,884	\$6,026,927	HTF, Measure O	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	\$11,225,017	\$17,000,000	Measure O, U1, LHFTF	Under Construction
The Grinnell (formerly 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	\$7,266,032	\$7,266,032	\$12,000,000	Measure O, U1, State Local Housing Trust Fund (LHFTF)	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	\$6,043,238	\$7,500,000	Measure O	Predevelopment
Berkeley Unified School District (BUSD) Workforce Housing Development	1701 San Pablo Avenue	BUSD/SAHA/Abode	Approximately 109 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	Predevelopment
BART Sites	Ashby and North Berkeley	TBD	TBD	TBD	TBD	\$40,000,000	-	\$53,000,000	Measure O, HTF	Planning
Measure O Impact				>535	New Units	\$109,520,339	\$41,570,998	\$147,493,989		
Projects with City Funding Reservations										
Supportive Housing at People's Park	2556 Haste Street	TBD	118 affordable units with 62 units set aside for formerly homeless households.	119	10-50% AMI	FR ⁵	-	\$14,359,593	TBD	Planning
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	FR	-	\$12,250,000	TBD	Predevelopment
Ephesians Legacy Court	1708 Harmon Avenue	CHDC	79 one-bedroom units.	80	30-60% AMI	FP ⁶	-	\$18,087,701	TBD	Predevelopment
				249				\$44,697,294		

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)

Leveraging of Measure O/City Subsidy						
Project Name	Project Budget	City Funds (including Measure O)	Non-City Funds	Leveraging Ratio	Non-City Sources	Notes
BRIDGE Berkeley Way	\$ 62,563,741	\$ 2,774,925	\$ 59,788,816	22.5	A1, AHP, AHSC, Tax Credits, TE Bond	Average leveraging ratio for Berkeley Way as a whole = 4.4 BRIDGE and BFHP spread the City subsidy amongst the three projects, but prioritized the shelter portion for City funding due to limited sources for that type of housing.
Insight Housing Hope Center	\$ 19,917,041	\$ 16,964,507	\$ 2,952,534	1.2	A1, BFHP	
Insight Housing Hope Center Permanent Supportive Housing	\$ 39,589,497	\$ 7,727,630	\$ 31,861,867	5.1	A1, Boomerang, AHSC, NPLH, SHMHP, Tax Credits, TE Bond	
Jordan Court	\$ 24,961,105	\$ 6,026,927	\$ 18,934,178	4.1	A1, AHP, NPLH, Tax Credits, TE Bond	
Maudelle Miller Shirek Community	\$ 86,930,256	\$ 17,000,000	\$ 69,930,256	5.1	AHSC, IIG, NPLH, Tax Credits, TE Bond	
The Grinnell	\$ 52,284,217	\$ 12,000,000	\$ 40,284,217	4.4	AHSC, DDS, HCD Accelerator, IIG	