

Housing Advisory Commission

HOUSING ADVISORY COMMISSION

Housing Trust Fund Subcommittee Meeting Tuesday, January 5, 2016

Time: 3:00 p.m.

2180 Milvia Street, Berkeley
1st Floor – Cypress Conference Room
Secretary Amy Davidson, (510) 981-5406

AGENDA

All agenda items are for Discussion and Possible Action.

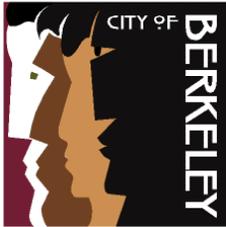
Public Comment Policy: *Members of the public may speak on any items on the Agenda and items not on the Agenda during the initial Public Comment period. Members of the public may also comment on any item listed on the agenda as the item is taken up. Members of the public may not speak more than once on any given item. The Chair may limit public comments to 3 minutes or less.*

1. Roll Call
2. Agenda Approval
3. Election of the HTF Subcommittee Chair
4. Public Comment
5. Update on Housing Trust Fund Projects – *Amy Davidson*
6. Grayson Street Apartments Request for Funding and Joint AHSC Application – *Jenny Wyant (Attachment 1)*
7. Adjourn

Written material may be viewed in advance of the meeting at the Housing Department, 2180 Milvia Street, 2nd Floor, during working hours.

Accommodations Provided Upon Request. To request a disability-related accommodation(s) to participate in the meeting, including auxiliary aids or services, please contact the Disability Services specialist at 981-6342 (V) or 981-6345 (TDD) at least three business days before the meeting date. Providing at least three working days' notice will help to ensure availability at the meeting.

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Health Housing and
Community Services Department
Housing & Community Services Division

MEMORANDUM

To: HAC HTF Subcommittee

From: Amy Davidson, Senior Community Development Project Coordinator
Jenny Wyant, Community Development Project Coordinator

Date: December 31, 2015

Subject: **Grayson Request for Funding and Joint AHSC Application**

Staff recommend that the HTF Subcommittee make the following recommendation to the Housing Advisory Commission.

Recommend that Council adopt a Resolution:

- 1) Approving a funding reservation of \$1.4 million from the Housing Trust Fund for Grayson Street Apartments, contingent upon Satellite Affordable Housing Associates (SAHA) securing its remaining financing commitments by December 31, 2016.
- 2) Authorizing a joint application with SAHA for Affordable Housing and Sustainable Communities (AHSC) funds for Grayson Street Apartments and related infrastructure improvements.
- 3) Authorizing the City Manager to execute all original or amended documents or agreements to effectuate this action.

In 2013, the City loaned \$1,095,000 in Housing Trust Funds for the site acquisition and various predevelopment costs for Grayson Street Apartments, 23-units of proposed new construction housing at San Pablo and Grayson Street. SAHA applied for additional funding in the City's 2015 RFP round. Although the proposal was rated highly in the areas of developer capacity and local needs and priorities, its rating in feasibility and readiness was reduced by the proposed inclusion of project-based Section 8, which had not been secured from the Berkeley Housing Authority (BHA). No funding award was recommended in June. Subsequently, BHA announced that project-based vouchers would not be available in the foreseeable future, and SAHA identified a new funding strategy. SAHA has asked to increase its request from \$1 million to \$1.4 million in light of the unavailability of project-based Section 8 vouchers at this time, for a total HTF loan

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of \$2,495,000. Reserving additional Housing Trust Funds would allow Grayson to compete for state funding in 2016.

The Housing Trust Fund balance is currently \$3,067,578. Staff are still working with the Northern California Land Trust (NCLT) on its request for up to \$500,000, as recommended by the HAC and reported to Council, pending submission and approval of a proposal for the renovation of 1 to 2 of its scattered site developments. Therefore, \$2,567,578 is available. If Grayson were funded, there would be \$1,167,578 remaining in the Housing Trust Fund in addition to the \$500,000 requested by NCLT.

AHSC is a relatively new program, with funds coming from “cap and trade” proceeds and the Greenhouse Gas Reduction Fund. In 2016, \$320 million will be available through AHSC statewide, making it a significant new funding source. As of writing this memo, the final guidelines have not been adopted. Based on the draft guidelines, SAHA staff believe that Grayson may score well, and will be competitive for funds. The application for Grayson will be most competitive if the City, as a public agency that has authority over public transit or transportation infrastructure, joins SAHA as a co-applicant. Joint applicants are jointly and severally liable, but the City and SAHA may enter into a side agreement to minimize the City’s risk. Staff will work to mitigate liability concerns, possibly including entering into a related agreement with SAHA or its affiliate, if the City moves forward as a joint applicant.

SAHA submitted a revised budget for Grayson showing AHSC as a new source, along with non-competitive 4% tax credits. This means that if the AHSC funding application is successful, the project will not need to compete for any more funding. The following memo provides background on the revised Grayson proposal and staff analysis of the four areas to be scored.

Grayson Street Apartments, Satellite Affordable Housing Associates

Grayson consists of 22 one- and two-bedroom apartments targeted at 30% to 60% of area median income and one manager's unit, with a services office, community room, outdoor patio area, and other resident community spaces (computer annex and library). SAHA has secured \$4.1 million in other sources for this project, and is seeking Affordable Housing and Sustainable Communities (AHSC) program funding, and 4% non-competitive tax credits to complete Grayson's financing package.

During the 2015 RFP process, Grayson's application was evaluated in four categories: developer capacity, feasibility, local needs and priorities, and readiness. Grayson scored highly in both developer capacity and local needs and priorities, and there are no new concerns related to those areas.

Analysis

a. Developer capacity (up to 15 points)

SAHA exceeds the HTF Guidelines threshold in both developer and property management capacity. Since 2011, SAHA has completed 15 projects with a total of 689 units, in addition to projects developed prior to the merger of Affordable Housing Associates and Satellite Housing. The projects were a mix of new construction and renovations, and were designed for a variety of populations, including seniors, families, adults with developmental disabilities, transition-age youth, and homeless populations. SAHA has completed numerous City HTF and tax credit properties, with a positive history of compliance with City requirements. The project manager, Jonathan Astmann, has worked on projects with 350 units, including the same funding sources.

SAHA is in a stable financial position, with sufficient cash for short term needs and a positive net worth. There were no concerns about SAHA's financial capacity.

SAHA manages its own development projects and exceeds the threshold of 24 months of experience. The application includes a list of 53 projects, ranging in size from 6 to 152 units (typically in the 30 to 60 unit range), with management start dates from 1967 to 2014.

Staff assessment: High

b. Feasibility (up to 30 points)

Projected total development costs are within the range of other current, new construction affordable housing developments in Alameda County, based on data from the latest Alameda County funding round. Both the total costs and the proposed sources are reasonable for the proposed project, given rising construction material and labor costs. SAHA has secured a total of \$4.1M in funding commitments,

including very competitive state Infill Infrastructure Grant funds, for the project in a relatively short amount of time as well as a Use Permit.

SAHA will apply for AHSC funds in early 2016, and, if successful, would only need to secure non-competitive 4% tax credits to finalize Grayson's finances. Based on the draft guidelines, SAHA's project manager believes the project will score well, and is likely to be funded. However, SAHA will also apply for 9% tax credits this spring as a backup funding strategy. Once SAHA secures either AHSC funds (with 4% tax credits), or 9% tax credits, Grayson's funding will be complete.

The market study demonstrated a strong demand for the project and identified no concerns regarding leasing the proposed units. The business on the site waived relocation benefits and will take possession of a new commercial space in the development once completed.

The development will serve at least 3 people living with HIV/AIDS and 14 people with special needs (as defined by the state's tax credit program). The budget includes \$20,000 per year to support a 0.25 FTE service coordinator from SAHA to serve as the lead service provider, providing on-site services (such as case management, group activities, on-site food pantry, and computer classes) and linkages to community services.

Staff assessment: Medium-High

c. Local needs and priorities (up to 30 points)

Sustainability: The project is targeting 167.9 points on the GreenPoint Rated scale and LEED Platinum or a minimum of LEED Gold. The project site is on one bus route (72) and 0.29 miles from 4 others, including a Transbay bus. If awarded AHSC funding, SAHA would incorporate transportation infrastructure improvements benefiting pedestrians, cyclists, and/or transit users.

Amenities within 0.5 miles include Berkeley Bowl West, San Pablo Park, a bank, Walgreens, and Longfellow Middle School. The site has a WalkScore of 81 out of 100. Features include bicycle parking inside and outside, passive solar heating, radiant hydronic space heating, solar water heating, sustainable interior finishes, and water efficient fixtures and landscaping.

Other local priorities: The project would create 9 new units of housing for extremely low income households (<30%), an HTF priority. These would include units for people with disabilities, a goal of the City-adopted Everyone Home Plan. The proposed design also includes streetscape improvements consistent with the San Pablo Avenue Public Improvements Plan adopted by the City.

Staff assessment: High

d. Readiness (up to 25 points)

The 2015 RFP prioritized projects that could close on the City's loan before HUD's HOME commitment deadline of August 2015. The new funds for Grayson would either be local funds, or a combination of local and HOME funds, if available. There would be no imminent commitment deadline.

Once City funds are committed, Grayson will only need to compete for one more source – either AHSC funds or 9% tax credits. The City's additional funds will help make the funding applications more competitive. Grayson is also the most ready project in the City, and the only Berkeley project eligible to apply for AHSC funds in the upcoming round.

Staff assessment: High

- e. Reservation and Disbursement Conditions: The addition of new HTF funds to Grayson would be conditioned upon SAHA securing the remaining funding for the project within the 2016 calendar year.