



Housing Advisory Commission

## HOUSING ADVISORY COMMISSION

# AGENDA

<b>Regular Meeting</b> <b>Thursday, May 4, 2023</b> <b>7:00 pm</b>	<b>South Berkeley Senior Center</b> 2939 Ellis Street  Anna Cash, Secretary <a href="mailto:HAC@cityofberkeley.info">HAC@cityofberkeley.info</a>
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**Written communications submitted by mail or e-mail to the Housing Advisory Commission by 5:00 p.m. the day before the meeting** will be distributed to the members of the Committee in advance of the meeting and retained as part of the official record.

**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. **Land Acknowledgement** (Attachment 1)
3. **Agenda Approval**
4. **Public Comment**
5. **Approval of the April 10, 2023 Special Meeting Minutes** (Attachment 2)
6. **Discussion & Possible Action to recommend Housing Trust Fund program funding for Ephesian Legacy Court (1708 Harmon Street)** - Housing Trust Fund Subcommittee/Staff (Attachment 3)
7. **Discussion & Possible Action to recommend Housing Trust Fund program funding for Woolsey Gardens (3120-3130 Shattuck)** - Housing Trust Fund Subcommittee/Staff (Attachment 3)
8. **Update on Fair Access and Transparency for Rental Housing Applications Ordinance Subcommittee** - Subcommittee
9. **Update on Council Items (Future Dates Subject to Change)**
  - a. Budget Referral: Funds to Study Berkeley's Affordable and Social Housing Needs and Programmatic and Funding Opportunities (4/11/23)
  - b. Referring \$579,000 to the June 2023 Budget Process for Staffing Costs Associated with Acquisition of and Prevention of Displacement from Multi-Family Housing (4/11/23)

- c. Referring \$372,000 to the June 2023 Budget Process for Staffing Costs Associated with Administering the Empty Homes Tax (4/25/23)
- d. Submission of the PY 2023 (FY 2024) Annual Action Plan Containing Allocations of HUD Funds (5/9/23)

**10. Announcements/Information Items**

**11. Future Items**

**12. Adjourn**

Attachments

- 1. Land Acknowledgment
- 2. Draft April 10, 2023 Special Meeting Minutes
- 3. Housing Trust Fund Recommendations for Ephesian Legacy Court and Woolsey Gardens

Communications to Berkeley boards, commissions or committees are public record and will become part of the City’s electronic records, which are accessible through the City’s website. Please note: e-mail addresses, names, addresses, and other contact information are not required, but if included in any communication to a City board, commission or committee, will become part of the public record. If you do not want your e-mail address or any other contact information to be made public, you may deliver communications via U.S. Postal Service or in person to the Secretary of the commission. If you do not want your contact information included in the public record, please do not include that information in your communication. Please contact the Secretary for further information.

This meeting will be conducted in accordance with the Brown Act, Government Code Section 54953. Any member of the public may attend this meeting. Questions regarding this matter may be addressed to Mark Numainville, City Clerk, (510) 981-6900.

**COMMUNICATION ACCESS INFORMATION:**



To request a disability-related accommodation(s) to participate in the meeting, including auxiliary aids or services, please contact the Disability Services specialist at (510) 981-6418 (V) or (510) 981-6347 (TDD) at least three business days before the meeting date.

## ATTACHMENT 1

### **Land Acknowledgement Statement**

*The City of Berkeley recognizes that the community we live in was built on the territory of xučyun (Huchiun (Hooch-yoon)), the ancestral and unceded land of the Chochenyo (Cho-chen-yo)-speaking Ohlone (Oh-low-nee) people, the ancestors and descendants of the sovereign Verona Band of Alameda County. This land was and continues to be of great importance to all of the Ohlone Tribes and descendants of the Verona Band. As we begin our meeting tonight, we acknowledge and honor the original inhabitants of Berkeley, the documented 5,000-year history of a vibrant community at the West Berkeley Shellmound, and the Ohlone people who continue to reside in the East Bay. We recognize that Berkeley's residents have and continue to benefit from the use and occupation of this unceded stolen land since the City of Berkeley's incorporation in 1878. As stewards of the laws regulating the City of Berkeley, it is not only vital that we recognize the history of this land, but also recognize that the Ohlone people are present members of Berkeley and other East Bay communities today. The City of Berkeley will continue to build relationships with the Lisjan Tribe and to create meaningful actions that uphold the intention of this land acknowledgement.*



**HOUSING ADVISORY COMMISSION**  
**Monday, April 10, 2023**

**Draft Minutes**

Housing Advisory Commission

**Special Meeting**  
**Monday, April 10, 2023**  
**7:07pm**

**South Berkeley Senior Center**  
2939 Ellis Street

Anna Cash, Secretary  
HAC@cityofberkeley.info

**1. Roll Call**

- a. Present: Xavier Johnson, Mari Mendonca, Keyanna Ortiz-Cedeno, Alexandria Rodriguez, Debbie Potter, Leah Simon-Weisberg.
- b. Absent: Nico Calavita (unexcused), Sara Fain (excused).
- c. Staff Present: Anna Cash, Mariela Herrick.
- d. Commissioners in attendance: 6 of 7
- e. Members of the public: 1
- f. Public Speakers: 1

**2. Land Acknowledgement (Attachment 1)**

**3. Agenda Approval**

Action: M/S/C (Simon-Weisberg/ Mendonca) to approve the agenda.

Vote: Ayes: Johnson, Mendonca, Ortiz-Cedeno, Rodriguez, Potter, Simon-Weisberg.  
Noes: None. Abstain: None. Absent: Calavita (unexcused), Fain (excused).

**4. Public Comment**

Public Comment: 0 speakers.

**5. Approval of the March 2, 2023 Regular Meeting Minutes (Attachment 2)**

Action: M/S/C (Johnson/ Simon-Weisberg) to approve the March 2, 2023 Regular Meeting Minutes.

Vote: Ayes: Johnson, Mendonca, Rodriguez, Potter, Simon-Weisberg. Noes: None.  
Abstain: Ortiz-Cedeno. Absent: Calavita (unexcused), Fain (excused).

6. **Recommend the City Council adopt the City of Berkeley’s Draft Annual Action Plan (AAP) PY 2023 for Department of Housing and Urban Development (HUD) – All/Staff (Attachment 3)**

Public Comment: 1 speaker.

Action: M/S/C (Johnson/Simon-Weisberg) to recommend that City Council approve the staff recommendation of the draft annual action plan.

Vote: Ayes: Johnson, Mendonca, Ortiz-Cedeno, Rodriguez, Potter, Simon-Weisberg. Noes: None. Abstain: None. Absent: Calavita (unexcused), Fain (excused).

Action: M/S/C (Rodriguez/Ortiz-Cedeno) to recommend that City Council direct Staff to coordinate a standing presentation at HAC meetings from HUD-funded vendors, as well as from participants served by those programs.

Vote: Ayes: Johnson, Mendonca, Ortiz-Cedeno, Rodriguez, Potter, Simon-Weisberg. Noes: None. Abstain: None. Absent: Calavita (unexcused), Fain (excused).

7. **Discussion and Possible Action to Appoint Subcommittees – All/Staff**

a. Housing Trust Fund (HTF) Subcommittee

Action: M/S/C (Simon-Weisberg / Mendonca) to recommend that Commissioners Johnson, Mendonca, and Potter serve on the interim HTF Subcommittee until the June HAC meeting.

Vote: Ayes: Johnson, Mendonca, Ortiz-Cedeno, Rodriguez, Potter, Simon-Weisberg. Noes: None. Abstain: None. Absent: Calavita (unexcused), Fain (excused).

b. Public Facilities Improvements NOFA Applications Review Subcommittee

Action: M/S/C (Simon-Weisberg/Johnson) to recommend that Commissioners Ortiz-Cedeno, Mendonca, Rodriguez serve on the interim Public Facilities Improvements NOFA Applications Review Subcommittee until the June HAC meeting.

Vote: Ayes: Johnson, Mendonca, Ortiz-Cedeno, Rodriguez, Potter, Simon-Weisberg. Noes: None. Abstain: None. Absent: Calavita (unexcused), Fain (excused).

8. **Update on and Possible Action on Fair Access and Transparency Ordinance Subcommittee – Subcommittee**

M/S/C (Rodriguez/Mendonca) to extend the Fair Access and Transparency Ordinance subcommittee until August 29, 2023, an additional 90 days from its original time period, with the same objective to draft a Fair Access and Transparency Ordinance.

Vote: Ayes: Johnson, Mendonca, Ortiz-Cedeno, Rodriguez, Potter, Simon-Weisberg. Noes: None. Abstain: None. Absent: Calavita (unexcused), Fain (excused).

**9. Update on Council Items (Future Dates Subject to Change)**

- a. Funding Recommendation and Joint Homekey Application for the University Inn at 1461 University (3/21/23)
- b. Amending the Program Year 2021 (PY2021) Annual Action Plan to Accept HOME-American Rescue Plan Funds (3/21/23)
- c. Budget Referral: Post COVID-19 Rental Assistance/Anti-Displacement (3/21/23)
- d. Referring \$579,000 to the June 2023 Budget Process for Staffing Costs Associated with Acquisition of and Prevention of Displacement from Multi-Family Housing (4/11/23)
- e. Budget Referral: Funds to Study Berkeley's Affordable and Social Housing Needs and Programmatic and Funding Opportunities (4/11/23)

**10. Announcements/Information Items**

**11. Future Items**

**12. Adjourn**

Action: M/S/C (Johnson/ Mendonca) to adjourn at 9:07pm.

Vote: Ayes: Johnson, Mendonca, Ortiz-Cedeno, Rodriguez, Potter, Simon-Weisberg. Noes: None. Abstain: None. Absent: Calavita (unexcused), Fain (excused).

Approved: \_\_\_\_\_, Anna Cash, Secretary



Health Housing and  
Community Services Department  
Housing & Community Services Division

## MEMORANDUM

**To:** Housing Advisory Commission - HTF Subcommittee

**From:** Amanda Montez and Grace Streltsov, Community Development Project Coordinators

**Date:** April 21, 2023

**Subject:** **Housing Trust Fund Recommendations for Ephesian Legacy Court and Woolsey Gardens**

### **Recommendations:**

#### Ephesian Legacy Court:

Recommend that the Housing Advisory Commission recommend that City Council reserve an additional \$14,531,301 for Community Housing Development Corporation's (CHDC) Ephesian Legacy Court (1708 Harmon Street).

#### Woolsey Gardens:

Recommend that the Housing Advisory Commission recommend that City Council reserve \$1,000,000 for Northern California Land Trust's (NCLT) Woolsey Gardens (3120-3130 Shattuck) and waive Sections I.A.1 and III.A.1 of the Housing Trust Fund Guidelines.

### **Current Situation and Its Effects:**

In March 2023, the City of Berkeley received two funding requests for two new affordable housing projects. CHDC submitted a development loan application for Ephesian Legacy Court (1708 Harmon Street) and NCLT submitted a predevelopment loan application for Woolsey Gardens (3120-3130 Shattuck).

CHDC initially applied for development funding for Ephesian Legacy Court and another project, St. Paul Terrace (2024 Ashby Ave), through the 2021 Housing Trust Fund Request for Proposals (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 directed CHDC to submit a revised proposal for whichever project they deemed most ready to move forward to be

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funded under the HTF RFP, and then further resolved to prioritize the next available Housing Trust Funds for whichever CHDC project did not receive the remaining HTF RFP funds.

In 2022, CHDC submitted their revised proposal for St. Paul Terrace which was further along in predevelopment, and City Council approved an additional \$8,551,040 for a total of \$12,250,000 in City funding. Earlier this year, housing staff determined that the Housing Trust Fund had a sufficient balance and invited CHDC to submit an updated request for Ephesian Legacy Court.

Given City Council prioritization of CHDC projects for remaining HTF funds, the recommendation for Woolsey Gardens is contingent on a funding recommendation for Ephesian Legacy Court.

**Project Overview:** Ephesian Legacy Court (1708 Harmon Street)

Ephesian Legacy Court is an 80-unit senior Transit Oriented Development project being developed as a joint venture between the Community Housing Development Corporation (CHDC) and Ephesian Church of God in Christ (ECOGIC). Seventy-five percent (75%) of the units will be affordable to residents earning less than or equal to 50% of the Area Median Income (AMI), and the remaining units will be targeted to seniors and/or homeless individuals at or below 30% AMI. The project received full SB35 entitlements on January 20, 2023. CHDC has applied to the Berkeley Housing Authority for 21 project-based Vouchers and to the County of Alameda Health Care Services Agency for supportive services funding. The project has not heard back yet from either Agency.

CHDC requested \$14,531,301 in development funding for Ephesian Legacy Court (1708 Harmon Street). This request is in addition to predevelopment funding previously awarded, for a total proposed City subsidy of \$18,087,701.

Developer Capacity

*Staff rating: Medium-High*

*Factors in rating: While CHDC technically meets the threshold criteria for experience, they are relying on consultants more experienced with tax credit projects.*

CHDC previously completed only one new construction tax credit project without a more experienced partner.

CHDC engaged several consultants, including Kenneth Jones (Liberty Atlantic Development Partners) to lead on development activities. The consultants have substantial experience in residential development and real estate finance, including both affordable and unsubsidized housing. CHDC and their development team appear capable of undertaking the proposed project but do not have the deep track record in tax-credit financing for affordable housing development that is common in other frequent



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HTF borrowers. CHDC could consider increasing its internal capacity for multifamily housing project management.

CHDC identified Abode as the potential service provider, though they have not entered into a formal agreement at this point. Abode is a highly qualified service provider with experience serving vulnerable communities, including the formerly unhoused.

Between CHDC and their consultant team, there appears to be sufficient capacity to complete the proposed project.

### Feasibility

*Staff rating: Medium-High*

*Factors in rating: The project received entitlements under SB35, but CHDC is still finalizing its financing strategy. The operating proforma includes 21 project-based Section 8 vouchers, which are not yet committed.*

The project received full SB35 entitlements on January 20, 2023.

This year, for the second time, the California Department of Housing and Community Development (HCD) is offering a Super Notice of Funding Availability process (Super NOFA), which allows applicants to submit one application for consideration across several programs. The application for HCD's Super NOFA is due on June 30, 2023, through which CHDC plans to request state funding for the project. In addition to pursuing HCD funding, CHDC plans on applying to the California Tax Credit Allocation Committee (CTCAC) for 9% tax credit financing. CHDC is also exploring alternative sources to HCD funding such as the federal Section 202 program.

The proposal assumes 21 project-based Section 8 vouchers that would allow CHDC to serve formerly homeless residents and households earning 20% AMI. Once secured, the vouchers would make the project more competitive for Multifamily Housing Program (MHP) funds, though this may not happen in time for the next HCD Super NOFA. Ephesian Legacy Court will not be competitive for Super NOFA funding without these additional City funds.

Staff have a few concerns about the project budgets and proforma, and will work with CHDC to address these concerns as they continue to shepherd the project through predevelopment. Acquisition costs have increased considerably since CHDC's original predevelopment application due to an updated appraisal. Additionally, the development budget's estimated construction costs are low relative to other recent projects. The project's proposed annual operating budget is \$9,436/unit per unit. This is lower than the other affordable housing projects considered during the HTF RFP, which ranged from \$11.8k-\$15k per unit per year. CHDC is applying for an Alameda County operating subsidy, which may allow the project to retain a lower annual operating budget. The proforma also assumes a \$311k/year subsidy, which CHDC plans to meet with the project-based vouchers.

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### Local Needs and Priorities

*Staff rating: High*

*Factors in rating: The project brings new affordable housing to the Adeline Corridor, in close proximity to Ashby BART.*

There is a high level of support for affordable housing in the Adeline Corridor and a high level of demand for affordable housing in Berkeley. The additional need for senior housing was highlighted by the City's June 2022 Senior Community Forum as one of the community's top concerns.

CHDC plans to develop the property with climate sensitive design, and is targeting the Gold GreenPoint Rated certification level.

Ephesian Legacy Court is located near Ashby BART station, which supports the City's climate action goals by increasing housing opportunities near public transit. The common spaces will all be fully accessible, and the apartments all adaptable or fully accessible.

### Readiness to Proceed

*Staff rating: Medium-High*

*Factors in rating: The project secured entitlements under SB35, which should position the project to compete for state funds in June 2023. The project does not have any funding commitments other than the City.*

The HTF Guidelines require site control for development funding. Currently, there is an MOU between CHDC and the church describing their relationship and intent to form a new ownership entity. The development team recently completed a lot line adjustment to separate the portion of the church's property that will be ground leased to the new entity and developed into Ephesian Legacy Court.

The basis for the ground lease payment will be the appraisal value of the land. This land price has increased significantly since the project's last application for funding. The initial predevelopment request budgeted approximately \$1 million budgeted for the value of the land as a placeholder. However, a recent appraisal valued the property with current entitlements at \$6.6 million. The ground lease payment is budgeted to provide the appraised amount to ECOGIC or its affiliate entity at the close of construction through a combination of City and HCD funding. If there is a funding shortfall, the developer would potentially reduce the ground lease payment and pay additional lease through residual receipts payments after priority items or pay any unfunded portion at permanent close. Staff will work with CHDC during predevelopment to ensure that the proposed acquisition costs align with the ground lease structure.

The City's \$3,556,400 predevelopment loan is the only funding secured to date. Citibank previously issued a conditional construction loan commitment, which will be updated prior to the project's June HCD application submittal.

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SB35 projects are exempt from California Environmental Quality Act requirements (CEQA). At this time no federal funds are anticipated, so a federal environmental review subject to the National Environmental Protection Act (NEPA) is not required. If the project receives housing choice vouchers (Section 8), the City will complete the necessary level of review required by NEPA.

CHDC conducted a virtual community meeting with the Friends of Adeline on July 19, 2022, which represents a number of different community agencies and residents. Additional community outreach events are being planned for summer 2023.

### **Funding Considerations**

CHDC is requesting City subsidy for Ephesian Legacy Court that is on the high end but in alignment with what the City has historically funded, at 25% of the total development costs and \$228,958 per affordable unit. CHDC requested a higher subsidy in order to increase the project's likelihood of getting state funding this year, and create new affordable housing on the fastest timeline possible.

There are several factors influencing the proposed funding recommendation:

1. Timing and availability of City funds

The full amount of the City funds requested may not be available on the timeline proposed by CHDC. It's likely some or all of the development funding for Ephesian Legacy Court will come from the third issuance of the Measure O bond, which is expected in 2025. Between now and 2025, the City may identify other sources of housing funding available on a faster timeline than Measure O, but that's not guaranteed.

CHDC's current schedule assumes securing HCD funding in 2023 and tax credits in 2024. The latter requires construction to start within 180 days of the financing award, which means the project may need to start before City funds are available. CHDC could restructure its financing to have the City funds come in after construction is complete (at perm loan conversion), but a construction lender would not fund a project if there was no certainty about when the City funds would be available to repay their loan.

2. City subsidy per unit

The City's goal is always to fund affordable housing projects at levels that support their competitiveness for state funding, balanced with the reality of limited City funding. The requested City subsidy for Ephesian Legacy Court is roughly \$228k/unit. While this is higher than new construction projects funded through the 2019 and 2021 HTF RFPs, which have City subsidies ranging from \$32k - \$198k per affordable unit (see attached table for more details), it is less than the \$250k/unit subsidy for St. Paul Terrace, which is the most recent project awarded with Housing Trust Funds.

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The project may not get all the HCD funding it needs through the Super NOFA this year, but if CHDC is awarded 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.

### **Project Overview: Woolsey Gardens**

The Northern California Land Trust (NCLT) requested \$1,000,000 in predevelopment funding to redevelop the site of its current headquarters at 3120-3130 Shattuck Avenue into a zero-net energy, mixed-use, and multifamily homeownership project.

NCLT proposes to develop a mixed-use green building with 65 units of limited equity housing at a range of affordability levels for households earning between 30% and 120% of the Area Median Income (AMI). Woolsey Gardens will consist of studio, 1-bedroom, and 2-bedroom apartments. In addition to ground floor commercial space for nonprofits and emerging entrepreneurs, the building will have 41 residential condominiums as well as 24 units of shared cooperative housing.

The project site is owned by NCLT, who will continue to own the land after development for permanent stewardship and execute 99-year ground leases with condominium owners and cooperative members. The project will involve demolition of the current structure and temporary relocation of existing commercial tenants for whom new space will be built in the development.

The development team is aiming to make Woolsey Gardens a zero net energy building with LEED Platinum certification and extended grid outage resilience utilizing mass timber and cross laminated timber technology.

As a project aiming to repair historic and current harms of displacement, Woolsey Gardens is partnering with community organizations to provide opportunities for displaced households to return to South Berkeley as well as housing stability for low-income households that still remain.

### Developer Capacity

*Staff rating: Low-Medium*

*Factors in rating: Woolsey Gardens would be NCLT's first new construction project and is larger than other properties in its portfolio.*

Despite NCLT's years of experience acquiring, rehabilitating, and operating small rental, cooperative, and homeownership properties in Berkeley, Woolsey Gardens would be a significant departure from NCLT's traditional scope. It would not only be NCLT's first new construction project, but 6 times the size of its largest ownership project with innovative design, construction, and tenure types.

Much of the development team's necessary experience comes from outside consultants. NCLT has engaged Justin Smith (Relequity) to co-lead development

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activities. Justin has 20 years of experience in the field and has managed several large multi-family and student housing projects. The development team includes highly experienced consultants, particularly for architecture, engineering, legal, entitlement, and green building services.

The two project leads (Suzanne Kim of NCLT and Justin Smith of Relequity) both have substantial experience related to real estate finance and construction management, but neither have worked on a new construction homeownership project before and both lack experience in affordable housing development.

Augmenting NCLT's capacity as a local developer specializing in homeownership and community housing would address an unmet need in Berkeley. The City's Housing Trust Fund (HTF) guidelines require applicants to have completed at least three projects with a minimum of 35 units within the last 5 years in order to be eligible for funding. NCLT's recent development experience with its scattered site rehabilitation program, which consists of three projects with a total of 31 units, falls short of the threshold criteria and will require City Council to waive Section I.A.1 of the Housing Trust Fund Guidelines.

#### Feasibility

*Staff rating: Low-Medium*

*Factors in rating: The project's unique model and design innovations present feasibility risks and the financing strategy will need to be refined during the predevelopment phase.*

NCLT currently owns the development site and plans to finance predevelopment and construction of the project with a combination of both loans and grants. To take out predevelopment and construction loans, NCLT plans to use grants, direct pay (federal tax credits for solar), and unit sales. In addition, NCLT anticipates that a small portion of the predevelopment and construction loans will continue as permanent debt that would be serviced by cash flow from homeowner fees, commercial rent, utility bills, operating grants, and ancillary revenue.

A number of risks, uncertainties, and variables will impact NCLT's ability to secure all the required funding for the project and therefore the project feasibility overall. NCLT's lack of direct new construction development experience could prevent the organization from securing funding sources that require the applicant to have completed projects similar to the one proposed. NCLT is also currently assuming that the City would be able to provide additional funding to the project beyond the \$1M predevelopment loan request, which is uncertain given that the funding needs of Berkeley's affordable housing pipeline greatly exceed the amount of funds available in the Housing Trust Fund.

While the submitted development budget is preliminary and will change as the project develops, the projected development costs are low compared to new construction projects in the pipeline, which indicates that the proposed funding package would be

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insufficient. Refining the budget and funding plan is a key activity of all development teams during the predevelopment phase.

During the predevelopment process, NCLT will also need to assess the feasibility of the proposed number of extremely low-income ownership units. NCLT's plans to explore the use of tenant-based vouchers to subsidize extremely low and very low income residents, but this source could pose numerous underwriting challenges. The project's ultimate financing plan will also need to provide sufficient operating reserve and contingencies for low-income residents.

NCLT is proposing mass timber for Woolsey Gardens, a new construction type that is promising yet largely untested, especially in affordable housing. The proposed benefits of mass timber are environmental sustainability and reduced costs for tall buildings as it costs less than concrete. The risks for building this type of building won't be well-known until construction begins and during operations.

The development team will further refine their funding plan during the predevelopment period and staff can continue working with NCLT to address feasibility concerns. Generally, having site control and close proximity to BART and the surrounding amenities (e.g., senior center, elementary schools, Berkeley Bowl) are assets to the project's long-term feasibility.

The City hasn't funded a new affordable ownership project in approximately 30 years, and the Housing Trust Fund Guidelines don't address specific criteria for ownership projects. Staff will need to work closely with NCLT to establish requirements for homebuyer training, ongoing education of co-op members and condo owners, and NCLT's oversight to ensure the long-term success of the project.

#### Local Needs and Priorities

*Staff rating: High*

*Factors in rating: The project creates affordable homeownership opportunities in South Berkeley.*

The project will provide sustainable housing and ownership opportunities in close proximity to Ashby BART, which supports the City's climate action goals.

As a project intentionally aiming to enable displaced South Berkeley households to exercise their right to return, their right to stay, and their right to own, Woolsey Gardens will help address community and City Council directives to develop a "right to return" for Berkeley's displaced residents.

#### Readiness to Proceed

*Staff rating: Medium*

*Factors in rating: The project is seeking entitlement under SB35 and pursuing an ambitious schedule. The project's other funding commitments are minimal.*

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NCLT has completed conceptual design and submitted its SB35 application to the City on February 27, 2023, and hopes to secure entitlements by May 2023. The tentative parcel map application was submitted to the City on February 23, 2023, which will create the necessary subdivisions for Woolsey Gardens' ownership and governance structure (41 residential condominiums, one residential condominium with 24 cooperative housing units, one commercial condominium with up to nine nonprofit office spaces, and one energy services unit). The current target date for commencing construction on the new building is November 2024.

In February 2022, the State of California Energy Commission (CEC) awarded NCLT with a \$999,595 predevelopment grant through the "Design Phase" of the EPIC grant program, which is the only funding secured to date for the project. With the highest scoring application, NCLT is now eligible for the next phase, or the "Build Phase", of the EPIC grant program, through which NCLT will be competing with two other Northern California teams for a construction grant of up to \$9 million to implement the design created under the Design Phase of the program. NCLT believes the project's homeownership and anti-displacement focus will make it highly competitive for the grant, which requires local match. City funding will provide the necessary local match and allow NCLT to complete predevelopment activities that are required for the construction grant application.

SB35 projects are exempt from CEQA. At this time no federal funds are anticipated, so NEPA review is not required. If the project pursues federal housing choice vouchers (Section 8), the City will complete the necessary level of review required by NEPA.

NCLT has already engaged a Community Advisory Board, the site's current nonprofit tenants, as well as their clients and neighbors. The Woolsey Gardens team held a community meeting on January 10, 2023 prior to submittal of the project's SB35 application.

### **Funding Considerations**

The amount of NCLT's predevelopment funding request is reasonable respective to the project's proposed size and sustainability goals, and is less than the amount awarded to two rental projects in 2021 and 2022. Some of the budgeted items are not appropriate for predevelopment and will require revisions.

The minimum affordability requirements in the HTF guidelines are written for rental projects, and require 20% of all project units to be affordable for extremely low-income households and 40% of all project units to be affordable for households earning 60% AMI or less. NCLT proposes to create 13 extremely low-income units and 11 60% AMI units, which is 37% of the project. Given the project's ownership structure and the fact that all units will be restricted for incomes less than 120% AMI, staff does not recommend increasing the proposed number of units for very-low and extremely-low income households. Staff recommends City Council waive both minimum affordability requirements in Section III.A.1 of the HTF guidelines to ensure project feasibility.

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Staff recommends that disbursement of the predevelopment loan be conditioned on the completion of specific predevelopment milestones, such as a market study, proof of entitlements, and a full financing plan. Staff will work with NCLT to identify reasonable milestones.

There are several factors influencing the proposed funding recommendation, including the need for affordable homeownership opportunities in South Berkeley and for local match to secure and leverage state CEC funding for Woolsey Gardens. Risks associated with this project include the innovative building features, NCLT's lack of experience with new construction projects, and the financial feasibility of deeply affordable homeownership models. These risks can be monitored throughout the development process and also have the potential to provide significant community benefits, including bolstering local development capacity and creating new sustainable and community-owned models for building affordable homes.



**New Construction Projects with City Development Funding Reservations (since 2018)**

Project Name	Ephesian	St Paul Terrace	Supportive Housing in People's Park	BUSD Workforce Housing	1740 San Pablo	Maudelle	Blake Apartments	BRIDGE Affordable	Hope Center PSH	Jordan Court
Address	1708 Harmon	2024 Ashby Avenue	2556 Haste	1701 San Pablo	1740 San Pablo	2001 Ashby	2527 San Pablo	2012 Berkeley Way		1601 Oxford
Sponsor	CHDC	CHDC	RCD	SAHA/Abode	BRIDGE	RCD	SAHA	BRIDGE	BHHP	SAHA
Total Units	80	50	119	110	51	87	63	89	53	37
Total Affordable Units	79	49	118	109	50	86	62	88	52	34
Special Needs Units	79	10	62		3	12	16		52	34
Special Populations Served	seniors and homeless	homeless	homeless	educators	artists	homeless, disabled	homeless, IDD	n/a	hmls, mentally ill	homeless, seniors
Rental Vouchers (proposed)	21	10	27		13	21	15	22	53	24
Current request	\$14,531,301									
Existing City Funding Reservation	3,556,400	12,250,000	14,359,593	24,500,000	7,500,000	17,000,000	12,000,000	2,774,925	7,727,630	6,000,000
Total City Funds	18,087,701	12,250,000	14,359,593	24,500,000	7,500,000	17,000,000	12,000,000	2,774,925	7,727,630	6,000,000
City funds per affordable unit	228,958	250,000	121,691	224,771	150,000	197,674	193,548	31,533	148,608	176,471
Total Development Costs	73,204,746	38,158,351	78,808,187	83,741,358	36,127,971	86,930,256	48,337,009	62,563,741	39,589,497	24,910,031
TDC per affordable unit	926,642	778,742	667,866	768,269	722,559	1,010,817	779,629	710,952	761,336	732,648
City funds as a % of TDC	25%	32%	18%	29%	21%	20%	25%	4%	20%	24%
State/County Funding - # Sources	1*	1*	2	2	2	3	2	2	4	2
State/County Funding - % of TDC	26%	6%	37%	11%	33%	27%	28%	37%	38%	33%

\*Applying for State funds in June 2023