



Office of the City Manager

CONSENT CALENDAR
December 11, 2012

To: Honorable Mayor and Members of the City Council
From:  Christine Daniel, City Manager
Submitted by: Jane Micallef, Director, Health, Housing & Community Services
Subject: Approval of 2012 Housing Trust Fund Reservations

RECOMMENDATION

Adopt a Resolution:

1. Approving an initial round of Housing Trust Fund (HTF) reservations for two new construction projects at Harper Crossings (\$2,300,000, including a forward commitment of \$499,000) and Grayson Street Apartments (\$1,095,000), and additional funding for UA Homes (\$134,000); and
2. Approving an alternative set of HTF reservations if Harper Crossings is unable to obtain sufficient project financing by December 2013 to complete the project; and
3. Waiving the HTF Guidelines regarding predevelopment funding and project selection to allow the City Manager to enter into contracts and agreements for development and predevelopment loans.

FISCAL IMPACTS OF RECOMMENDATION

The funding for all proposed reservations will come from the Housing Trust Fund and will have no effect on the General Fund. However, the approval of this recommendation would allow the City to meet its HOME commitment obligation by committing \$1.1 million in 2013 HOME funds and \$499,000 in 2014 HOME funds to Harper Crossing. It would also allow the City to meet its 2013 CDBG spending obligation by committing \$925,000 in CDBG funds for the acquisition of the Grayson Street for affordable housing.

CURRENT SITUATION AND ITS EFFECTS

In January 2012, HUD published draft regulations which would tighten the guidelines for funding under the HOME program and make it easier for HUD to recapture funds for projects not completed within four years of the initial HOME commitment. This shift substantially changes the City's funding strategy and makes it necessary to limit the time that HOME funds can be used as seed money to attract other financing for affordable housing projects. Staff expects HUD to adopt the draft regulations. As a result, staff recommendations include a second category of existing rehabilitation

projects in the pipeline which are able to utilize the City's HOME funding within the proposed new HUD regulations if Harper Crossings is unable to secure tax credits in 2013 and spend the HOME funding timely enough to satisfy the new regulations.

BACKGROUND

In April 2012, Council approved extending the time for making HTF funding reservations to December 2012 in order to allow staff to continue to work on projects which had previously requested funding in the 2010 application round. In 2010, the Housing Advisory Commission (HAC) prioritized three pipeline projects for future HTF funding: Prince Hall Arms, Grayson Apartments and UA Cooperative Housing. Prince Hall Arms subsequently was the subject of extended legal battles and the City was finally forced to take title to the site through a foreclosure action. UA Cooperative received HTF funding in 2011.

Staff now recommends funding for Harper Crossings (the former Prince Hall Arms site) and Grayson Apartments which are the only two of the pipeline projects which add affordable units to the City's inventory. Since they have both concluded the entitlement process, Harper Crossings and Grayson Street rank high in the readiness category for low income housing tax credits and the staff recommendation is to fund Harper Crossing at \$2,300,000 million and Grayson Apartments at \$1,095,000. The public funding recommended for these projects makes them highly competitive in either of the two 2013 low income housing tax credit application rounds.

Satellite Housing was the original applicant for Harper Crossings and Affordable Housing Associates applied for Grayson Apartments. Both affordable housing agencies are based in Berkeley and have strong records in the areas of housing development, property management and supportive housing services. The boards of the two agencies recently approved a merger of the two organizations into a new entity, Satellite Affordable Housing Associates (SAHA). The merger is scheduled to take effect in January 2013, and, if approved, SAHA is the organization which would be the developer of each site.

Staff's third recommendation for funding is UA Homes, an existing 74 unit project at 1040 University Avenue. The project received tax credits and is scheduled to start construction in February 2013. As a condition of financing approval, the Enterprise Foundation is requiring additional seismic work. The City has also added sidewalk replacement and repair to the scope of work. Staff recommends \$134,000 for this additional work.

RATIONALE FOR RECOMMENDATION

The HAC selected Harper Crossings and Grayson Street as priorities for funding in 2010 since they were new construction sites and would add a total of 63 additional units of affordable housing to the City's inventory. The HTF funding currently proposed for Harper Crossings would be used for the development of the site. Staff will bring a recommendation to Council in February 2013 to approve the transfer of the site to SAHA. The HTF funding for Grayson Street would be used for the acquisition, and

predevelopment expenses for the site, including the environmental reviews required to seek additional financing. CDBG funding would be used to fund the Grayson Street project.

The rationale for Council approving alternative HTF projects if Harper Crossings is to enable the City to meet its HOME commitment obligation for 2013 and 2014 in the amount \$1.6 million . If SAHA does not receive sufficient funding to develop the project by December 2013, Staff will re-evaluate the rehabilitation projects listed below for feasibility and the final amounts approved for HTF reservations will be made at that time based upon those evaluations.

1. University Avenue Homes: an amount not to exceed \$400,000
2. University Avenue Cooperative: an amount not to exceed \$275,000
3. William Byron Rumford Sr. Plaza: an amount not to exceed \$300,000
4. Strawberry Creek Lodge: an amount not to exceed \$560,000
5. Northern California Land Trust: an amount not to exceed \$249,000

Staff and the HTF Subcommittee of the Housing Advisory Commission (HAC) reviewed the HTF pipeline applications according to the following criteria:

- Readiness to proceed/feasibility;
- Leveraging: the amount of existing funding commitments and/or the ability to secure other sources of financing;
- Deadlines for local/federal funding requirements and deadlines for other sources of funding necessary for the development to proceed;
- Life and safety needs included in rehabilitation activities proposed to be funded;
- Previous HTF reservations and allocations made to the project proposal;
- Ability to receive a PBS8 certificate award; and
- Meeting the objectives of the City's Housing Element, Consolidated Plan, and HTF Guidelines.

On November 1, 2012, the HAC considered reports from both and the HTF Subcommittee to recommend both the first round funding for Harper Crossings, Grayson Street Apartments and UA Homes, and the alternative funding for UA Homes, UA Cooperative, William Byron Rumford, Strawberry Creek Lodge and the Northern California Land Trust. The HAC approved a motion supporting the HH&CS staff recommendation for HTF funding of Harper Crossings, Grayson Street Apartments; and if Harper Crossings is unable to obtain sufficient financing in 2013 to complete the development, then it recommended Council approval of alternative funding for the UA Homes, UA Cooperative, William Byron Rumford, Strawberry Creek Lodge and the Northern California Land Trust scattered sites. (M/S/C: Levenson/Tregub. Ayes: Feller, Kingeter, Levenson, Murphy, Sawicki, Soto-Vigil, Tregub and Wolfe. Noes: None. Absent: Casalaina)

Article V of the HTF Guidelines, Types of Assistance, sets the limit for predevelopment loans at \$50,000 per project. Article VI of the HTF Guidelines, Project Selection, limits

the total amount of predevelopment funding in any single fiscal year to \$100,000, and requires a formal RFP to be published in order to fund projects. Staff recommends that the Council waive these provisions of the Guidelines in order to approve the funding reservations in this report.

ALTERNATIVE ACTIONS CONSIDERED

If the Berkeley Housing Authority authorizes an application round for issuing project-based Section 8 vouchers, the scopes of work and financial feasibility of the first round projects may be enhanced.

CONTACT PERSON

Kathryn Hoover, Housing Services Manager, HH&CS, 981-5415

Roger Asterino, Community Development Project Coordinator, HH&CS, 981-5419

Attachments:

1: Resolution

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

APPROVAL OF 2012 HOUSING TRUST FUND RESERVATIONS

WHEREAS, the City Council established a Housing Trust Fund Program (HTF) 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 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, the Health, Housing & Community Services Department and the Housing Advisory Commission wished to set up an expedited review process for awarding fund reservations from the 2010-2011 Housing Trust Fund in order to allow pipeline projects not funded in calendar year 2010 to receive Housing Trust Fund reservations through December 31, 2013; and

WHEREAS, on May 1, 2012, the City Council extended the period for approving HTF fund reservations to December 31, 2012; and

WHEREAS, the Housing Advisory Commission held a meeting on November 1, 2012 and considered reports from Health, Housing & Community Services staff and the HTF Subcommittee regarding recommended funding for pipeline projects; and

WHEREAS, on November 1, 2012, the Housing Advisory Commission approved a motion recommending HTF funding reservations for Harper Crossings, Grayson Street Apartments and University Avenue Homes; and

WHEREAS, that same motion recommended the following alternative projects for funding if Harper Crossings is unable to obtain an award of low income tax credits by the end of 2013: University Avenue Homes, University Avenue Cooperative Housing, William Byron Rumford Sr. Plaza, Strawberry Creek Lodge; and Northern California Land Trust scattered sites.

NOW THEREFORE, BE IT RESOLVED that the Council of the City of Berkeley approves the following projects for HTF funding reservations:

- Satellite Affordable Housing Associates for Harper Crossings: \$2,300,000, including a forward commitment of \$499,000 in 2014 HOME funds;
- Satellite Affordable Housing Associates for Grayson Street Apartments: \$1,095,000; and
- Resources for Community Development for UA Homes: \$134,000 for additional seismic work and sidewalk repair.

BE IT FURTHER RESOLVED that if SAHA is unable to obtain an award of low income tax credits for Harper Crossings in 2013, the Council approves funding reservations for the following projects:

- Resources for Community Development for UA Homes: up to a maximum amount of \$400,000 for UA Homes for additional life safety rehabilitation;
- Resources for Community Development for UA Cooperative Housing: up to a maximum amount of \$275,000 for energy efficiency, accessibility and life safety work;
- Resources for Community Development for William Byron Rumford Sr. Plaza: up to \$300,000 for upgrades to amenities in shared common space, including play equipment, and increase construction contingency funding;
- Strawberry Creek Lodge: up to \$560,000 to fill a financing gap and complete the needed renovation of the units in the senior residential buildings; and
- Northern California Land Trust: up to \$249,000 for energy upgrades, roof repairs, and window replacements on four scattered sites.

BE IT FURTHER RESOLVED by the Council of the City of Berkeley that the Council waives Article V and Article VI of the Housing Trust Fund Guidelines to allow these projects to obtain funding reservations and predevelopment loans.

BE IT FURTHER RESOLVED all funding reservations are 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 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.