



Housing Advisory Commission

ACTION CALENDAR

June 12, 2007

To: Honorable Mayor and  
Members of the City Council

From: Housing Advisory Commission

Submitted by: Oscar A. Sung, Secretary, Housing Advisory Commission

Subject: Allocating \$1 Million to the Housing Trust Fund in Fiscal Year 2008

RECOMMENDATION

Approve allocating \$1 million to the Housing Trust Fund in Fiscal Year 2008.

FISCAL IMPACTS OF RECOMMENDATION

This action would reduce available resources in the General Fund by \$1 million. It would increase resources available in the Housing Trust Fund by the same amount.

CURRENT SITUATION AND ITS EFFECTS

The Housing Trust Fund Program has not had a competitive round of new affordable housing proposals since July 2004 (FY 2005). Since that time, the City of Berkeley has had significantly reduced resources for new affordable housing. Available resources have been reserved to address rising costs of projects already in the construction pipeline. No funds have been available for new projects.

The Housing Advisory Commission is also aware that the Housing Department is seeking to reserve two future years' worth of HOME funds in the Housing Trust Fund (HTF) to mitigate construction cost risks associated with completing construction of the 96-unit Oxford Plaza project in downtown Berkeley. This will further limit resources available for the next two years of Housing Trust Fund activity.

Meanwhile, the Bay Area's housing crisis does not let up. Single family and condominium prices continue to be out of reach for low and moderate income households in Berkeley. With the slow-down in the housing sector, there are indications that rental housing costs may rise, forcing such households looking for affordable rental housing to pay more for the same housing or accept lower quality.

BACKGROUND

On April 5, 2007, the Housing Advisory Commission voted (M/S Arreguin/Smith. AYES: Arreguin, Casalaina, Coulter, Dunner, Smith, Acting Chair Wollmer. NOES: None. ABSENT: Fraser, Thomson-Story, Chair Bowman.) to recommend that the City Council approve a resolution to allocate \$1 million to the City of Berkeley Housing Trust Fund.

The City of Berkeley Housing Trust Fund is one of Berkeley's most important programs for creating permanently affordable housing. Originally created in 1990, the City has committed over \$36.5 million to a portfolio of projects that contains nearly 600 affordable housing units—including new and existing rental units as well as a small number of condominium units.

The Housing Trust Fund pools various sources of funds for affordable housing production. These sources have included federal, state, and local resources. Federal resources include the annual entitlement grants from Community Development Block Grant and HOME Partnership for Investment programs. California's Local Housing Trust Fund Program provided \$1 million three years ago. The state also provided \$3 million in HELP funds for the purpose of facilitating property acquisitions (in the form of a revolving loan approach). Berkeley provides funds from its Housing Mitigation Fee from non-residential development, redevelopment, and General Fund sources.

In time, the City should also begin receiving revenues to the Housing Trust Fund from two new sources, the In-Lieu Fee of the Inclusionary Housing Ordinance (which enables developers of new condominiums to pay the fee to opt out of providing inclusionary units in their projects), and the Affordable Housing Mitigation Fee charged to property owners converting multi-unit properties to condominium ownership. However, while these fee revenues were instituted over a year ago, the slow-down in housing production is expected to slow fee collections. Condominium conversions are occurring, but the early projects tend to be small properties that have either full exemptions or full fee reductions that result in no mitigation revenue. Larger conversions face more requirements to make repairs and corrections to bring properties into compliance with local laws, which delays collection of mitigation fee revenue. Consequently, no revenues have yet been received in the HTF from either of these new sources of funds.

#### RATIONALE FOR RECOMMENDATION

In order to continue Berkeley's commitment to expanding the supply of permanently affordable housing, the Housing Advisory Commission believes it is necessary for the City to allocate General Funds to the Housing Trust Fund in FY 2008. By allocating \$1 million to the HTF, HAC believes the Council will make it possible for the City to issue a new request for proposals (RFP) that could at least fund some new construction or acquisition and rehabilitation projects that would simultaneously result in additional units becoming permanently affordable in Berkeley.

In addition to making a new RFP possible, infusing the HTF with \$1 million would provide nonprofit housing developers funds with which they may leverage other sources of public and private funding for their projects. For instance, California voters approved Proposition 1C in November 2006, a bond issue that will make available \$590 million for multi-family housing, supportive housing, and housing for homeless youth statewide. Projects may also be positioned with these funds to house young persons aging out of foster care. Nonprofit developers with reservations from the City of Berkeley may also be better positioned to obtain private mortgages for their projects as well.

ALTERNATIVE ACTIONS CONSIDERED

The alternative to allocating \$1 million to the Housing Trust Fund is that the City would have extremely limited resources in the Fund and would not be able to issue a Request for Proposals.

CITY MANAGER

The City Manager recommends referring this request to the budget process.

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