



Office of the City Manager

CONSENT CALENDAR
July 25, 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: Reserving Predevelopment Funds BRIDGE Housing Corporation to Support the Development of Affordable Housing at the North Berkeley BART Site

RECOMMENDATION

Adopt a Resolution:

1. Reserving \$1,500,000 in Affordable Housing Mitigation Fee funds to BRIDGE Housing Corporation (BRIDGE) or its affiliate to support master planning and predevelopment activities related to the development of affordable housing at the North Berkeley BART site.
2. Authorizing the City Manager or her designee to execute all original or amended documents or agreements to effectuate this action.

FISCAL IMPACTS OF RECOMMENDATION

City Council reserved \$53M in funding for the BART sites at their April 27, 2021 meeting through Resolution 69,833-N.S. Of that total reservation, \$13M will come from Affordable Housing Mitigation Fees, and \$40M will come from Measure O. The Measure O portion will be available in the third and fourth issuances, expected in 2025 and 2027.

Predevelopment funding for the BART sites, including this current request for \$1,500,000, will come from Affordable Housing Mitigation Fees already collected. Funding is subject to appropriation in the FY 2024 budget in the Affordable Housing Mitigation Fee fund (Fund 120).

CURRENT SITUATION AND ITS EFFECTS

BRIDGE requested \$1.5M in predevelopment funds to support the development of affordable housing at North Berkeley BART.

On December 1, 2022, the San Francisco Bay Area Rapid Transit District (“BART”) Board approved the selection of a development team to build housing at the North Berkeley BART station site. The team is comprised of lead nonprofit developer BRIDGE, nonprofit development partners East Bay Asian Local Development

Corporation (EBALDC) and Insight Housing (formerly Berkeley Food and Housing Project), and market-rate developer Avalon Bay Communities. The BRIDGE team proposes to exceed the requirement that at least 35% of new housing be affordable to households earning an average of 60% of Area Median Income. The preliminary design concept includes three affordable housing buildings for low-income families and one permanent supportive housing project.

On December 13, 2022, City Council adopted Resolution No. 70,643-N.S reserving \$500,000 to help finance predevelopment expenses related to the development of affordable housing at the North Berkeley BART station. The BRIDGE team is currently engaged in community outreach and planning activities that will inform the project design.

The project's current schedule assumes State of California Housing and Community Development funding in 2024, which requires projects to be entitled. The BRIDGE team is requesting an additional \$1.5M in order to prepare a set of entitlement plans in time to meet funding deadlines and stay on schedule. In addition to architectural and engineering costs related to the design of the affordable buildings, the funds may be used to pay for the nonprofit development team members' collective share of the early costs related to the BART Exclusive Negotiating Agreement (ENA), station access study, and other master planning and predevelopment activities. The City Housing Trust Fund Guidelines and the Affordable Housing Framework for North Berkeley BART establish the standards for determining eligible costs.

Funding predevelopment activities at North Berkeley BART supports the Strategic Plan Priority Project to create affordable housing and housing support service for our most vulnerable community members.

BACKGROUND

For the past few years, the City has been working closely with BART on the development of the North Berkeley and Ashby BART sites. The City created a BART Community Advisory Group (CAG), made up of 15 members of the public to develop a vision for affordable housing, land use, station access, building form, and new public spaces. The CAG met throughout 2020 and 2021 at public meetings and community workshops, and provided feedback on the new zoning regulations impacting the North Berkeley BART site. The City and BART entered into a Memorandum of Agreement (MOA) in June 2022 to address additional aspects of the collaboration, and both agencies adopted the Joint Vision and Priorities for Transit-Oriented Development for Ashby and North Berkeley Stations (JVP) in June 2022. The JVP articulates the shared goals of the City and BART, including the goal of achieving at least 35% affordability at each site.

To support the shared affordable housing goal at the BART sites, City Council set aside \$53M through Resolution 69,833-N.S. on April 27, 2021. Council also indicated that a portion of the BART set-aside funds could be used to support predevelopment activities.

Predevelopment funding sources are limited, and by offering predevelopment loans with favorable terms, the City and BART were hoping to attract more nonprofit developers. The predevelopment funds are only available to nonprofits to cover their proportional share of master planning costs.

BART issued a Request for Qualifications (RFQ) in July 2022 to select a team to develop housing at the North Berkeley BART station site. A selection panel with equal representation of City and BART staff reviewed the qualifications of all teams, interviewed the team leads, and attended the public presentations on November 10, 2022. Based on their cumulative score, the panel recommended the selection of BRIDGE team to the BART Board of Supervisors.

Through the RFQ, the City offered up to \$2M in predevelopment funding authorized by Resolution 69,833-N.S. The RFQ identified two phases of the predevelopment funding: 1) up to \$500,000 to support the nonprofit partner's share of the master planning and predevelopment costs, and 2) up to \$1.5M to support predevelopment activities for specific affordable housing projects located at the North Berkeley BART site. After the release of the RFQ, Department of Health, Housing, and Community Services (HHCS) staff and the development team learned that the costs associated with the first phase exceed the amount budgeted and that nonprofit developers need to access funds in the second phase sooner in the predevelopment process in order to be competitive for State funding.

ENVIRONMENTAL SUSTAINABILITY AND CLIMATE IMPACTS

Creating new affordable housing in Berkeley that allows lower income individuals and families to live closer to transit will advance the goal of making the City more economically and racially equitable, and reduces greenhouse gas emissions by reducing vehicle-miles-traveled and decreasing reliance on personal vehicles. New affordable housing developments are typically built to third-party green building standards (either GreenPoint or LEED Gold).

RATIONALE FOR RECOMMENDATION

There are early and significant costs associated with transforming the current parking lot at the North Berkeley BART station to a vibrant residential community serving a mix of incomes and household types. The selected developer team will need to pay BART's ENA fees, station access fees, and other costs related to master planning, infrastructure, and predevelopment work. There are few sources of predevelopment funding available, and most come with interest rates higher than what the City offers which would add costs to creating affordable housing.

ALTERNATIVE ACTIONS CONSIDERED

Since the City agreed in the MOA and RFQ to make this funding available for the selected nonprofit developer, and since the BRIDGE team qualifies for this funding under the City's Housing Trust Fund criteria, staff did not consider any alternative actions.

Reserving Predevelopment Funds for the Development
of Affordable Housing at the North Berkeley BART Site

CONSENT CALENDAR
July 25, 2023

CONTACT PERSON

Grace Streltsov, Community Development Project Coordinator, HHCS, 510-981-5430

Attachments:

1: Resolution

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

RESERVING \$1,500,000 OF AFFORDABLE HOUSING MITIGATION FEES FOR
PREDEVELOPMENT AT THE NORTH BERKELEY BART SITE

WHEREAS, 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 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 City and BART are collaborating on the development of the North Berkeley BART site, and articulated shared goals in a Memorandum of Understanding, Memorandum of Agreement, and Joint Vision and Priorities for Transit-Oriented Development for Ashby and North Berkeley Stations; and

WHEREAS, the City and BART are committed to achieving a minimum of 35% affordable housing at each BART site; and

WHEREAS, on April 27, 2021, with Resolution 69,883-N.S., the City Council reserved \$53 million, to be divided between the two BART sites, as the subsidy needed to achieve 35% affordability, and allowed for a portion of that funding to be considered for predevelopment costs associated with affordable housing; and

WHEREAS, the \$53 million includes \$40 million in Measure O funds, and \$13 million in Affordable Housing Mitigation Fees; and

WHEREAS, in July 2022, BART issued a Request for Qualifications (RFQ) to select a team to develop new housing at the North Berkeley BART site and created an RFQ selection panel with equal representation from the City and BART; and

WHEREAS, through the RFQ, the City indicated that up to \$2 million of the \$53 million funding reservation could be available for predevelopment for each BART site; and

WHEREAS, on December 1, 2022, the BART Board of Supervisors approved the RFQ panel's recommendation to select a development team made up of BRIDGE Housing Corporation (BRIDGE), East Bay Asian Local Development Corporation, Berkeley Food and Housing Project, and Avalon Bay Communities; and

WHEREAS, the BRIDGE development team proposed to develop 50% of the residential units at the North Berkeley BART as affordable to lower-income persons; and

WHEREAS, on December 13, 2022, City Council adopted Resolution No. 70,643-N.S., reserving \$500,000 of Affordable Housing Mitigation Fees for predevelopment at the North Berkeley BART site; and

WHEREAS, the development team requested an additional \$1,500,000 in predevelopment funding from the City's set-aside funds; and

WHEREAS, the City's BART set-aside of Measure O funds will be available after the third and fourth issuances, currently projected for 2025 and 2027, and therefore any predevelopment support for the BART projects will be allocated from the \$13 million set-aside of Affordable Housing Mitigation Fees.

NOW THEREFORE, BE IT RESOLVED by the Council of the City of Berkeley that it approves the reservation of \$1,500,000 of Affordable Housing Mitigation Fees (Fund 120) to BRIDGE Housing Corporation or its affiliate to support master planning and predevelopment activities related to the development of affordable housing at the North Berkeley BART site.

BE IT FURTHER RESOLVED that the City's Housing Trust Fund program guidelines will apply to the use of these funds.

BE IT FURTHER RESOLVED that 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 the City Clerk.