



CONSENT CALENDAR  
October 12, 2021

To: Honorable Mayor and Members of the City Council  
 From: Councilmember Ben Bartlett  
 Subject: Infrastructure and Affordable Housing Finance Plan for Adeline Corridor

RECOMMENDATION

Refer to the November Annual Appropriation Ordinance an allocation of \$200,000 to fund a Consultant to design and implement an infrastructure and affordable housing finance strategy for the Adeline Corridor Plan that was adopted by the City Council on December 8, 2020.

The proposed analysis should examine the feasibility of various infrastructure financing tools, such as an Enhanced Infrastructure Finance District (EIFD), Community Facilities District, Affordable Housing Authority, Community Revitalization and Investment Authority, pursuit of state and Federal grants, and other public and private financing tools. The project team should determine which financing mechanism(s) would be most appropriate to fund elements of the Adeline Corridor Plan, and future community-oriented projects. Upon identifying the appropriate funding tools, the consultant would then proceed with implementation based on further feedback from City Council and the community.

CURRENT SITUATION

The Adeline Corridor Plan was passed in December of 2020. To support equitable development within the Berkeley Community, we must support the development of small businesses and accessible housing options for low-income communities.

This proposal is a response to the COVID-19 Pandemic and the devastating effects it has had on our community. According to a recent census, 56% of California small businesses experienced large negative effects from the pandemic<sup>1</sup> and the inequity in income growth throughout the United States has been exasperated by COVID-19<sup>2</sup>. The Adeline Corridor Plan is important to fight against the economic effects this epidemic has had on our low and middle-income communities. To combat k-shaped economic recovery<sup>3</sup>, and hastening exits of longtime residents from the Adeline corridor, it is all the more important that we achieve our goal of developing the Adeline Corridor. To more efficiently achieve our goals, we must find new avenues for funding the Adeline Corridor Plan.

<sup>1</sup> <https://www.ppic.org/blog/the-economic-toll-of-covid-19-on-small-business/#:~:text=Fifty%2Dsix%20percent%20of%20California,face%20the%20most%20severe%20setbacks.>

<sup>2</sup> <https://journals.plos.org/plosone/article?id=10.1371/journal.pone.0249121#sec004>

<sup>3</sup> <https://apnorc.org/projects/despite-signs-of-economic-recovery-the-most-economically-vulnerable-americans-face-serious-financial-challenges/>

The barrier to equitably developing the Adeline Corridor is funding. To combat the crisis in funding, we propose that a Consultant be hired to design and implement a financial plan to ensure the success of the Adeline Corridor Plan while also ensuring the success of future community-oriented projects. The Adeline Corridor Plan was adopted last year and requires a significant amount of funding. That is why creating a specialized project team into our plans will be instrumental in realizing the plan as outlined below, empowering economic development, and above all else, supporting our cultural heritage.

The Adeline Corridor Plan intends to<sup>4</sup>:

- Increase individual affordable housing units
- Increase pedestrian and bike lane safety
- Develop the Ashby BART station
- Create a Business Improvement District (BIPD)
- Redesign Adeline Street
- Strengthen community assets
- Protect the Berkeley Flea Market
- Increase constituent's access to resources
- Improve the tree line along walkways
- Build equitable green space
- Promotion of Public Art

The project team will assess the financial feasibility of an Enhanced Infrastructure Financing District (EIFD), Community Facilities District, Affordable Housing Authority, Community Revitalization and Investment Authority, pursuit of state and federal grants, and other public and private financing tools, that would support the Adeline Corridor Plan.

An EIFD could provide for projects that contribute to economic development, including affordable housing. Therefore, to effectively leverage our taxes in favor of improving our community, we would like to invite the council to consider funding a Consultant to assess the efficiency and practicality of an EIFD for the funding of the Adeline Corridor Project. For example, an EIFD could contribute to the economic development of Berkeley by providing funding that will facilitate the commencement of work on the Adeline Corridor Plan. Furthermore, an EIFD could be helpful because as outlined by the Adeline Corridor Plan, 50% of all housing developments for the next 20 years along the corridor must remain affordable for the lowest incomes and highest needs.<sup>5</sup> Therefore, an EIFD could account for the funding that would be accrued from higher housing revenue that is being forfeited through the current plan's commitment to low and middle-income housing availability.

Additionally, the project would use green construction to build mixed-use buildings, structured parking, commercial and civic spaces on the ground floor, and new public

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<sup>4</sup> <https://www.cityofberkeley.info/council3/adeline/>

<sup>5</sup> <https://www.cityofberkeley.info/council3/adeline/>

space surrounding Ashby BART station<sup>6</sup>. In combination with green planning, the Adeline Corridor Plan will redesign Adeline Street from the Oakland border north to Derby Street, creating more public open spaces out of paved space, reducing crossing distances, and making the street more comfortable for pedestrians and cyclists<sup>7</sup>.

Furthermore, the Adeline Corridor Plan intends to support capital improvements that strengthen existing institutions such as the Berkeley Flea Market, the South Berkeley Farmers Market, and the annual Juneteenth Festival, as well as future institutions such as the African American Holistic Resource Center<sup>8</sup>.

## BACKGROUND

EIFDs were formed through expanding on Tax Increment Financing (TIF), which freezes property tax revenue from a designated area at a base level. In the following years, this revenue is separated from other property tax revenue and can be leveraged to improve the designated area or repay bonds issued against the anticipated TIF revenue<sup>9</sup>. A funding leveraging system like this will be instrumental for our goal of developing the projected 1,450 residential units and 65,000 square feet of commercial space through 2040<sup>10</sup>.

An EIFD is a type of tax increment financing that allows the city to utilize tax revenue to fund community-orientated economic development projects (i.e. Infrastructure, Affordable Housing, mixed-use development and sustainable development, Transit-oriented development, Parks and Open Space, etc). An EIFD is ideal for the Adeline Corridor Plan due to its flexible design. EIFDs can be used on a single street, in a neighborhood, or throughout an entire city<sup>11</sup>. The flexibility of EIFDs opens a pathway to funding long-term development projects. It operates similar to an Infrastructure Financing District (IFD), with the key differences being expanding capabilities of what can be financed<sup>12</sup>, extending project timelines, and improving public engagement requirements<sup>13</sup>. Finally, an EIFD is ideal due to the precision and flexibility it offers to funding allocation. Through an EIFD we can fund a public square and individual affordable housing units within one category of financing district.

## REVIEW OF EXISTING PLANS, PROGRAMS, POLICIES, AND LAWS

West Sacramento formed the first EIFD encompassing approximately 4,144 acres—about 25% of the city—in 2017<sup>14</sup>. The EIFD is expected to finance multiple projects,

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<sup>6</sup> <https://www.cityofberkeley.info/council3/adeline/>

<sup>7</sup> <https://www.cityofberkeley.info/council3/adeline/>

<sup>8</sup> <https://www.cityofberkeley.info/council3/adeline/>

<sup>9</sup> <https://scag.ca.gov/post/enhanced-infrastructure-financing-district-eifd>

<sup>10</sup> [https://www.cityofberkeley.info/uploadedFiles/Planning\\_and\\_Development/Level\\_3\\_-\\_Land\\_Use\\_Division/2020\\_12\\_08\\_ADOPTED\\_ACSP\\_2.pdf](https://www.cityofberkeley.info/uploadedFiles/Planning_and_Development/Level_3_-_Land_Use_Division/2020_12_08_ADOPTED_ACSP_2.pdf)

<sup>11</sup> <https://www.cacities.org/Policy-Advocacy/Hot-Issues/New-Tax-Increment-Tools>

<sup>12</sup> [https://leginfo.legislature.ca.gov/faces/billTextClient.xhtml?bill\\_id=201720180SB1145](https://leginfo.legislature.ca.gov/faces/billTextClient.xhtml?bill_id=201720180SB1145)

<sup>13</sup>

[https://leginfo.legislature.ca.gov/faces/billPdf.xhtml?bill\\_id=201920200AB116&version=20190AB11698AMD](https://leginfo.legislature.ca.gov/faces/billPdf.xhtml?bill_id=201920200AB116&version=20190AB11698AMD)

<sup>14</sup> <https://www.keysermarston.com/post/west-sacramento-adopts-states-first-eifd>

including sidewalk and streetscape improvements, parks, recreational facilities and open spaces, childcare facilities, affordable housing, bridges, and more<sup>15</sup>. West Sacramento chose to utilize EIFDs as a tool to restore the city's ability to bond against future revenue to finance infrastructure investments<sup>16</sup>. Thus, the EIFD allows for more efficient lot development, which in turn, creates community revenue gains sooner than possible without the tax leveraging program.

Recently, Sacramento has begun development of Aggie Square utilizing an EIFD. In October of 2020, a city council item noted the intention to develop the Aggie Square project. Aggie Square intends to create a public-private partnership between the University of California Davis (UC) and Wexford Science and Technology (Wexford)<sup>17</sup>. In February of 2021, Sacramento released a plan which outlines preliminary costs at Phase 1. The city estimates this development would add approximately \$5 billion annually and 25,000 ongoing jobs to the 6-county region by the time Aggie Square construction is finalized<sup>18</sup>. The formation of the EIFD was pursued because it was deemed necessary for financing the construction of public infrastructure and development that serves the Aggie Square project and the surrounding community while providing significant community-wide benefits<sup>19</sup>.

Another example we intend to follow is LA county's city of La Verne, which established its own EIFD in 2017. The city expects to establish a new light rail station by 2026<sup>20</sup>. The development includes approximately 1,700 residential units, a 150-bed hotel, and 100,000 square feet of retail space<sup>21</sup>. Not only will the EIFD project enhance the aesthetics of the city, but it will also improve functionality through dedicated bikeways, and increasing community walkability. In La Verne's 2020 summary, the total cost of renovation is estimated to be about 33 million with project improvements to highways, pedestrian safety, lighting, landscaping, a pedestrian bridge, pipelines, and sewers<sup>22</sup>. On the city's website, they explain that the idea is that by having the improvements in place sooner, it will spur development to occur faster, which in turn will help to pay for more of the identified projects<sup>23</sup>.

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<sup>15</sup> <https://www.cityofwestsacramento.org/government/departments/administrative-services/eifd-formation>

<sup>16</sup> [https://live-terner-center-for-housing-innovation.pantheon.berkeley.edu/wp-content/uploads/2020/10/Enhanced\\_Infrastructure\\_Financing\\_Districts\\_West\\_Sacramento.pdf](https://live-terner-center-for-housing-innovation.pantheon.berkeley.edu/wp-content/uploads/2020/10/Enhanced_Infrastructure_Financing_Districts_West_Sacramento.pdf)

<sup>17</sup> [https://sacramento.granicus.com/MetaViewer.php?view\\_id=22&clip\\_id=4752&meta\\_id=603641](https://sacramento.granicus.com/MetaViewer.php?view_id=22&clip_id=4752&meta_id=603641)

<sup>18</sup> <http://www.cityofsacramento.org/-/media/Corporate/Files/CMO/Major-Projects/Aggie-Square-EIFD-DRAFT-IFP-020221.pdf>

<sup>19</sup> [https://sacramento.granicus.com/MetaViewer.php?view\\_id=22&clip\\_id=4752&meta\\_id=603641](https://sacramento.granicus.com/MetaViewer.php?view_id=22&clip_id=4752&meta_id=603641)

<sup>20</sup> <https://www.sfchronicle.com/opinion/article/How-one-small-city-could-show-way-for-California-13960717.php>

<sup>21</sup> <https://www.cityoflaverne.org/index.php/documents/community-development/1602-eifd-la-verne-amended-and-restated-ifp/file>

<sup>22</sup> <https://www.cityoflaverne.org/index.php/documents/community-development/1602-eifd-la-verne-amended-and-restated-ifp/file>

<sup>23</sup> <https://www.cityoflaverne.org/index.php/home/bulletins/287-social-gas-requests-regulatory-approval-to-replenish-natural-gas-supply-at-aliso-canyon-storage-facility>

Similarly, San Francisco is currently employing an IFD (Infrastructure Financing District) to improve infrastructure on Treasure Island and Yerba Buena Island. The crucial difference between an IFD and an EIFD is that an EIFD enables project timelines to be extended from 30 years to 45 years<sup>24</sup>. This IFD will be used to develop 300 acres of open space, transit facilities, streets, geotechnical improvements, sea level rise adaptations, over 2,000 affordable houses, and amidst other communally beneficial projects<sup>25</sup>. This financing plan was ideal for this project because it allows for an acceleration of development activity, as verified by consultants<sup>26</sup>.

As made clear from locales across our state, by financing development plans, EIFDs can have an economically and culturally transformative impact on our communities. Additionally, and EIFD will better support our community due to the biannual financial and performance audits required within the program, unlike IFDs, which have no such requirements<sup>27</sup>.

### HISTORICAL CONTEXT

To expand on our legacy, we must also acknowledge our past. Before the existence of Adeline Street, Berkeley was inhabited by the Lisjan Ohlone people. They are a community native to the East Bay and were displaced by European and Mexican settlers beginning in the early 1800s. While the history of the Ohlone tribe is long, it is important to realize that they are still a thriving community today.

After the displacement of indigenous peoples and the acquisition of California, there were decades of growth within our south Berkeley community throughout the 1900s. In response to the San Francisco Earthquake of 1906, thousands fled into Berkeley and Oakland, which caused the small community surrounding the Lorin Railroad Station to grow exponentially. Along with this experience, Adeline Street became a thriving commercial and residential suburb.

South Berkeley—by the 1930s—became one of the most racially diverse districts in the Bay Area. This is directly correlated with the implementation of racially discriminatory real estate practices throughout the Bay Area that kept property ownership concentrated in the hands of white households. Practices like these continue to impact the generational wealth of Black and Brown constituents today<sup>28</sup>.

Moving into the 1960s, racial inequality came to the forefront of the discussion around the development of the San Francisco Area Rapid Transit System (BART), as it intended to build upon the existing streetcar tracks. However, those plans would separate—and effectively segregate—the largely white east Adeline neighborhood from the African-American neighborhood to the west.

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<sup>24</sup> <https://cceda.com/wp-content/uploads/EIFD-Resource-Guide-Feb-20161.pdf>

<sup>25</sup> <https://sftreasureisland.org/sites/default/files/CAB%20IFD-CFD%20Summary%2002%2007%2017.pdf>

<sup>26</sup> <https://sftreasureisland.org/sites/default/files/CAB%20IFD-CFD%20Summary%2002%2007%2017.pdf>

<sup>27</sup> [https://edacademy.org/wp-content/uploads/2018/03/03.16.18\\_915-1015\\_TreasureIsland.pdf](https://edacademy.org/wp-content/uploads/2018/03/03.16.18_915-1015_TreasureIsland.pdf)

<sup>28</sup> <https://www.pewresearch.org/fact-tank/2017/11/01/how-wealth-inequality-has-changed-in-the-u-s-since-the-great-recession-by-race-ethnicity-and-income/>

Through fighting back against these policies, the community made a landmark decision. Constituents voted to raise their taxes upwards of 20 million dollars<sup>29</sup> to pay for two BART stations to be built underground, one of these being the Ashby BART<sup>30</sup>.

Utilizing an EIFD, we can work to continue the legacy built around Ashby BART station. The Adeline Corridor Project intends to bring financial justice to our community by ensuring economic growth for our diverse district three community.

#### CONSULTATION/OUTREACH OVERVIEW

The EIFD Plan should include a fiscal impact analysis to demonstrate that the EIFD will not have an adverse impact on the city's general fund. In other words, the analysis must show that the cost of providing services to the district area and the entire city can still be supported by the general fund if all or a portion of the property tax increment is diverted to the district<sup>31</sup>.

#### RATIONALE FOR RECOMMENDATION

An EIFD could provide funding for the Adeline Corridor project, allow for community support/input, and ensure the means of funding for our infrastructure projects. Securing an EIFD for Adeline Street will enable us to investigate the long-term benefits of EIFDs and expand our repertoire of funding avenues for future development concepts.

#### ALTERNATIVES TO CONSIDER

If unable to secure additional funding, an alternate solution is allowing district members to vote to increase their taxes. Through this vote, citizens would vote to leverage their own taxes as a method to ensure efficient project building. A vote like this would parallel the 1960s vote constituents participated in to ensure the BART stations did not segregate our communities. This would continue District Three's historic commitment to racial equity.

#### FISCAL IMPACTS OF RECOMMENDATION

\$250,000 in funding.

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<sup>29</sup><https://www.mercurynews.com/2019/09/15/the-dramatic-surprising-and-sometimes-irreverent-history-of-bart-revealed-in-live-podcast-taping/>

<sup>30</sup> <https://www.bart.gov/about/history/history2>

<sup>31</sup> <https://www.cityofwestsacramento.org/government/departments/administrative-services/eifd-formation>