



Office of the City Manager

CONSENT CALENDAR
January 30, 2024

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: Martin Luther King Jr. House Request for Proposals Recommendation

RECOMMENDATION

Adopt a Resolution to:

1. Approve the transfer of Martin Luther King Jr.(MLK) House from Resources for Community Development to Insight Housing, including obligations under the City's existing loan and regulatory agreements; and
2. Extend the previously approved \$1,178,974 funding reservation for MLK House and transfer that reservation to Insight Housing; and
3. Reserve an additional \$822,014 from the Housing Trust Fund program to support Insight Housing's renovation of the property; and
4. Waive Sections I.A.1 and IV.C.1 of the Housing Trust Fund Guidelines.
5. Authorize the City Manager or her designee to execute all original or amended documents or agreements to effectuate this action.

SUMMARY

MLK House is a congregate, permanent housing development serving primarily formerly homeless people with disabilities. Resources for Community Development intends to transfer MLK House to a new owner, which requires City Council approval under the project's existing loan agreements. After soliciting proposals through a Request for Proposals (RFP) process to identify a qualified owner/operator, staff recommends approving the transfer to Insight Housing. In addition to the existing reservation of \$1,178,974 for MLK House, Insight Housing requested \$822,014 (for a total of \$2,000,988) to undertake a more comprehensive renovation of the property, and update it for use as veterans housing.

FISCAL IMPACTS OF RECOMMENDATION

The attached resolution would extend the duration of an existing \$1,178,974 funding reservation for MLK House, which established a 24-month deadline. It would also reserve an additional \$822,014 to support the renovation of the property. There are currently sufficient funds in the Housing Trust Fund (HTF) program to fund the full request. Staff will determine the exact mix of funds from the HTF closer to the loan closing, which could include the following funds: Affordable Housing Mitigation Fee

(Fund #120), Inclusionary Housing Mitigation Fee (Fund #122), Condo Conversion Fee (Fund #123c), Commercial Housing Mitigation Fee (Fund #331), and Permanent Local Housing Allocation (#302). Funding is subject to appropriation through the second amendment to the FY2024 appropriations ordinance.

CURRENT SITUATION AND ITS EFFECTS

MLK House (2942-2944 Martin Luther King, Jr. Way) is a 12-bedroom, Single-Room Occupancy (SRO) permanent housing project with shared bathrooms and a communal kitchen. It is currently owned and operated by Resources for Community Development (RCD), and primarily houses formerly homeless individuals through the Shelter + Care program. RCD requested the City's approval to transfer the property to a qualified entity because RCD is not structured to provide the necessary level of oversight and management for the current population in a small communal living property like MLK House.

Housing and Community Services (HHCS/HCS) released the MLK House RFP on July 19, 2023 to select a new owner/operator, and received proposals from three applicants: Insight Housing (Insight), Kingdom Builders, and Options Recovery Services.

Staff recommends moving forward with Insight as the new owner/operator for MLK House. Insight's proposal was the strongest, demonstrating organizational capacity to take on the rehab and operations, and a feasible operating strategy that serves a vulnerable population and leverages non-City funding. On November 2, 2023, the Housing Advisory Commission reviewed and supported staff's recommendation for Insight Housing's proposal.

BACKGROUND

The goal of the RFP was to identify a new owner/operator that:

- Will serve a population that is appropriate for the property and supportive services available;
- Has experience operating shared housing;
- Is capable of securing new, sustainable operating and services funding sources; and
- Is capable of rehabilitating the property.

HCS staff evaluated the applications according to the following criteria identified in the MLK House RFP:

- Organization Capacity
- Feasibility
- Property Management and Services Plans

Insight Housing

Insight Housing (formerly Berkeley Food and Housing Project) intends to convert the property to supportive housing for 11 homeless or formerly homeless veterans. Insight

requested an additional \$822,014 (for a total of \$2,000,988) to support the rehab of the property. The additional funds are necessary to undertake a more comprehensive rehab and to add kitchenettes to each room in order to make them eligible for Veterans Affairs Supportive Housing (VASH) vouchers from the Department of Veterans Affairs (VA).

Insight has sufficient development experience to take on the MLK House renovations, and is experienced in managing shared living facilities, and working with formerly homeless populations (including veterans). Insight will work closely with the VA on tenant selection, and will be able to assess fit and suitability for semi-independent living with shared facilities. MLK House's proximity to Russell Street Residences (another Insight property) allows for mutual operational support between the two sites.

The approval would require two waivers of the HTF Guidelines. Section I.A.I of the HTF guidelines requires applicants to have completed at least three projects of a similar size and scope within the last ten years in order to be eligible for funding. Insight has relevant rehabilitation experience, but does not technically meet that criteria, so staff recommends waiving this requirement. The HTF guidelines also require a City Council waiver if a City loan amount exceeds 40% of the project's total costs, which staff recommends due to the unique nature of the MLK House project and challenges securing alternative funding for renovations of this scale.

Kingdom Builders Transitional Housing Program

Kingdom Builders Transitional Housing Program (Kingdom) proposed housing 11 Transitional Aged Youth (TAY) with incomes up to 100% AMI. TAY are youth aged 18-24 who are transitioning out of public systems, including foster care.

Kingdom is a relatively new organization that has been providing services since 2009, though was only formally incorporated within the past five years. Kingdom recently completed a Homekey project in Oakland, and is currently building a 54-room facility in downtown Oakland that will include TAY units.

Although there is a need for affordable TAY housing, staff and the HAC had concerns about the financial and operating plan for the property in this proposal.

Options Recovery Services

Options Recovery Services (Options) proposed a substance recovery residence program for up to 14 adults undergoing outpatient treatment for Substance Use Disorder. The units would be available for individuals earning up to 30% AMI.

The proposed program and population could be a good fit for MLK House, but staff had concerns about the financing assumptions and project feasibility.

Project History

In 1991, the City loaned RCD a total of \$278,126 from the Housing Trust Fund for the acquisition and renovation of MLK House. Since then, RCD has been operating the property for individuals exiting homelessness, and currently serves clients in the Shelter + Care program. In 2017, the City refinanced its loan, forgiving the accrued interest and reducing the interest rate to 0%. The City's Regulatory Agreement restricts 10 SROs to individuals earning 60% of Area Median Income (AMI).

In 2021, RCD asked the City to approve a transfer of MLK House to a new owner/operator. Shelter + Care tenants are now selected through the County's Coordinated Entry System, which prioritizes the highest need residents. High needs residents transitioning from homelessness have struggled having a shared kitchen and bathrooms, have contributed to heavier wear and tear on the property than the replacement reserve can support, and tend to invite non-residents to sleep or leave their personal belongings at MLK House, creating complex management and service needs. Shelter + Care vouchers do not provide enough income to cover the ongoing costs of operating the property. The proposed property transfer would trigger a need to relocate the existing residents, which the City's Shelter + Care team would facilitate in partnership with the RCD and Insight.

The new owner/operator would assume RCD's existing HTF loan, and have access to new rehab and operations funding. City Council allocated \$1,178,974 from the Housing Trust Fund program to RCD for MLK House through the 2021 Housing Trust Fund RFP. Those funds would be available to the new owner/operator to undertake renovations to address capital needs and to tailor the property to the new population and programming. In addition to the rehab funds, the City reserved \$107K in Mental Health Services Act (MHSA) funding for the project in 2023, which is available to the future owner/operator (subject to annual approval) if they continue to serve individuals with mental health diagnoses.

On November 2, 2023, the Housing Advisory Commission took the following action:

Action: M/S/C (Johnson/Calavita) to recommend City Council: 1. Approve the transfer of MLK House from Resources for Community Development to Insight Housing, including obligations under the existing loan and regulatory agreements; 2. Reserve an additional \$822,014 from the Housing Trust Fund program to accompany the property's 2021 HTF reservation of \$1,178,974 for a total of \$2,000,988 to support Insight Housing's renovation of the property; and 3. Waive Sections I.A.1 and IV.C.1 of the Housing Trust Fund (HTF) Guidelines.

Vote: Ayes: Bell, Braslaw, Calavita, Johnson, Mendonca, Ortiz-Cedeño, Potter, and Simon-Weisberg. Noes: none. Abstain: none. Absent: none.

ENVIRONMENTAL SUSTAINABILITY AND CLIMATE IMPACTS

MLK House is an existing, infill property near Ashby BART in a walkable neighborhood. Insight Housing will incorporate energy-efficiency and sustainability measures into the scope to the extent feasible.

RATIONALE FOR RECOMMENDATION

Insight demonstrated sufficient experience to take on the MLK House renovations and operate the property as affordable housing for formerly homeless veterans. Insight will be able to assess each resident's readiness for semi-independent living. The proposed project will leverage the City's limited funding with VASH vouchers, which may help facilitate long-term operational stability to the project.

ALTERNATIVE ACTIONS CONSIDERED

HCS staff evaluated the proposals from Kingdom Builders and Options Recovery Services, but had concerns about their respective feasibility. RCD initially proposed transferring the property to another entity that planned to serve Shelter + Care clients in a continuation of current operations. That would not have addressed the challenges under the current model, and staff did not support that proposed transfer.

CONTACT PERSONS

Jenny Wyant, Senior Community Development Project Coordinator, HHCS, 510-981-5228

Attachments:
1: Resolution

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

MARTIN LUTHER KING JR. HOUSE REQUEST FOR PROPOSALS
RECOMMENDATION

WHEREAS, City Council established a Housing Trust Fund (HTF) program 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 HTF program; and

WHEREAS, City Council adopted guidelines (HTF Guidelines) as revised on January 19, 2021, and authorized the HTF program in accordance with the Guidelines; and

WHEREAS, on June 1, 1991, the City entered into a loan agreement with Resources for Community Development (RCD) for a \$128,126 loan which was authorized by City Council Resolution No. 55,859-N.S. for acquisition and rehabilitation of the property, and the June 1991 loan was amended in December 1991 to increase the amount by \$150,000 for a total loan of \$278,126 ("1991 Rehab Loan"), to complete the rehabilitation of the property authorized by City Council Resolution No. 56,211-N.S.; and

WHEREAS, Resources for Community Development (RCD) has operated Martin Luther King Jr. (MLK) House since 1991, providing permanent housing for very low-income, formerly homeless individuals; and

WHEREAS, on June 1, 2017, the City entered into a new loan agreement replacing the 1991 Rehab Loan with a loan equal to the outstanding principal on the 1991 Rehab Loan, forgiving the accrued interest and reducing the interest rate to 0% and an approximate 30-year term to make the new loan co-terminus with the original regulatory agreement (City Council Resolution No. 67,480-N.S.); and

WHEREAS, on December 14, 2021, by Resolution No. 70,135-N.S., the City Council approved a funding reservation of \$1,178,974 to support the renovation of MLK House; and

WHEREAS, because the current residents who reside in MLK House require a higher level of services and property management that is no longer compatible with RCD's operations, RCD intends to transfer the property to a new owner and operator experienced in providing permanent supportive housing; and

WHEREAS, under the City's existing development loan agreement, RCD must obtain approval of the transfer of property; and

WHEREAS, on July 19, 2023, as authorized by Resolution 70,872-N.S., the City issued a Request for Proposals for selection of a new owner/operator for MLK House and received three proposals; and

WHEREAS, on November 2 2023, the Housing Advisory Commission recommended Council approval to transfer MLK House to Insight Housing, including an assumption of RCD's obligations under the existing City loan, an extension of the existing reservation of \$1,178,974 for MLK House, and an additional reservation of \$822,014; and

WHEREAS, the Housing Advisory Commission's motion included recommendations to waive certain sections of the HTF Guidelines in order to fund Insight Housing.

NOW THEREFORE, BE IT RESOLVED by the Council of the City of Berkeley that the Council approves the transfer of MLK House from RCD to Insight Housing, including an assumption of the obligations under the City's existing loan and regulatory agreements for the project; and

BE IT FURTHER RESOLVED by the Council of the City of Berkeley that the Council approves extending the existing reservation of \$1,178,974 and a new reservation of \$822,014 in HTF funds for MLK House and making those funds available to Insight Housing as the new owner/operator; and

BE IT FURTHER RESOLVED that the Council of the City of Berkeley waives the requirements of Section I.A.1 of the HTF Guidelines and approves Insight Housing as an eligible owner/operator of MLK House with demonstrated capacity, though Insight Housing has not completed the number of projects required by the developer eligibility criteria; and

BE IT FURTHER RESOLVED that the Council of the City of Berkeley waives the requirements of Section IV.C.1 of the HTF Guidelines and approves and approves HTF funds in excess of 40%, due to the unique nature of the MLK House project and challenges securing alternative funding for renovations of this scale; and

BE IT FURTHER RESOLVED that funds shall be reserved for a period of no more than 24 months from the date of this Resolution, contingent on Insight Housing obtaining all required City approvals and securing commitments for project funding that the City Manager or her designee deems sufficient within the reservation period; and

BE IT FURTHER RESOLVED that the funding reservation is 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; and

BE IT FURTHER RESOLVED that the making of the loan shall be contingent on and subject to such other appropriate terms and conditions as the City Manager or her designee may establish; and

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.