

CITY OF BERKELEY BOND MEASURE O

O Shall the measure to issue \$135 million in general obligation bonds to create and preserve affordable housing for low-income households, working families, and individuals including teachers, seniors, veterans, the homeless, and persons with disabilities; subject to citizen oversight and independent audits, be adopted? <u>Financial Implications:</u> Annual cost over projected 36-year period bonds are outstanding is approximately \$23 for every \$100,000 or \$97 for the average assessed home value of \$425,000; raising approximately \$7,500,000/year.	BONDS – YES
	BONDS – NO

Financial Implications

The average annual cost over the 36-year period the bonds are projected to be outstanding would be approximately \$23 for every \$100,000 of assessed value, or \$97 for the average assessed home value of \$425,000. The highest tax rate that would be required to be levied is approximately \$32 per \$100,000 of assessed value, projected to apply beginning in 2025/2026.

The best estimate of the total debt service, including the principal and interest, that would be required to be repaid if all the bonds are issued and sold is \$270,000,000.

s/FARIMAH BROWN
Berkeley City Attorney

CITY ATTORNEY’S IMPARTIAL ANALYSIS OF BOND MEASURE O

This measure was placed on the ballot by the City Council.

This measure would authorize the issuance of \$135 million of general obligation bonds to finance the acquisition and improvement of real property for the purpose of constructing, rehabilitating, or preserving affordable housing for low-, very low-, low-, median-, and middle-income individuals and working families, including teachers, seniors, veterans, the homeless, students, people with disabilities, and other vulnerable populations. The City could use the bond proceeds to leverage state and county funds allocated for affordable housing.

Bond proceeds will be used to acquire and improve affordable housing either by the City directly or indirectly through third parties. The proceeds may be used to finance the acquisition or improvement of real property for the purpose of constructing, rehabilitating or preserving affordable housing, or to construct, rehabilitate or preserve affordable housing, including but not limited to supportive housing, nonprofit rental housing, and limited-equity housing cooperatives affiliated with community land trusts. Proceeds of the Bonds may be used to reimburse the City for amounts advanced from the general fund or other funds or accounts to acquire and improve real property when such purchases are made prior to the availability of Bond proceeds.

This measure includes financial accountability requirements to ensure that the expenditure of Bond proceeds will be used only for the purpose of financing affordable housing projects and related costs. Financial accountability measures include an annual independent financial audit and oversight by an independent oversight committee to ensure that Bond proceeds are expended to finance affordable housing projects. In addition, the City Manager would be required to file an annual report with the City Council regarding the amount of funds collected and expended, as well as the status of the affordable housing projects.

This measure provides that the maximum rate of interest to be paid on the bonds shall not exceed twelve percent (12%).

TAX RATE STATEMENT OF BOND MEASURE O
City of Berkeley Affordable Housing
Bond Measure O

An election will be held in the City of Berkeley (the “City”) on November 6, 2018, to authorize the sale of up to \$135 million in bonds of the City to finance the specific projects listed in the measure. If such bonds are authorized, the City expects to sell the bonds in one or more series. Principal and interest on the bonds will be payable solely from the proceeds of ad valorem tax levies made upon the taxable property in the City. The following information is provided in compliance with Sections 9400-9404 of the California Elections Code. Such information is based upon the best estimates and projections presently available from official sources, upon experience within the City, and other demonstrable factors.

Based upon the foregoing and projections of the City’s assessed valuation:

1. The best estimate of the average annual tax rate that would be required to be levied to fund the bond issue over the entire duration of the bond debt service, based on a projection of assessed valuations available at the time of filing of this statement is 2.33 cents per \$100 (or \$23.27 per \$100,000) of assessed valuation of all property to be taxed. The best estimate of the final fiscal year in which the tax is anticipated to be collected is 2054/2055.

2. The best estimate of the highest tax rate that would be required to be levied to fund the bond issue, based on a projection of assessed valuations available at the time of filing this statement is 3.28 cents per \$100 (or \$32.81 per \$100,000) of assessed valuation of all property to be taxed. The best estimate of the first year in which the highest tax rate will apply is 2025/2026.

3. The best estimate of the total debt service, including the principal and interest, that would be required to be repaid if all the bonds are issued and sold is \$270,000,000.

Voters should note that such estimated tax rates are specific to the repayment of bonds issued under this authorization and will be in addition to tax rates levied in connection with other bond authorizations approved or to be approved by the City or any other overlapping public agency.

Voters should note that the estimated tax rate is based on the ASSESSED VALUE of taxable property on Alameda County’s official tax rolls, not on the property’s market value. In addition, taxpayers eligible for a property tax exemption, such as the homeowner’s exemption, will be taxed at a lower effective tax rate than described above. Property owners should consult their own property tax bills to determine their property’s assessed value and any applicable tax exemptions.

Attention of all voters is directed to the fact that the foregoing information is based upon projections and estimates only, which amounts are not maximum amounts or durations and are not binding upon the City. The actual debt service amounts, tax rates and the years in which they will apply may vary from those presently estimated, due to

variations from these estimates in the timing of bond sales, the amount of bonds sold and market interest rates at the time of each sale, and actual assessed valuations over the term of repayment of the bonds. The dates of sale and the amount of bonds sold at any given time will be determined by the City based on need for funds and other factors. The actual interest rates at which the bonds will be sold will depend on the bond market at the time of each sale. Actual future assessed valuation will depend upon the amount and value of taxable property within the City as determined by the Alameda County Assessor in the annual assessment and the equalization process.

Dated: July 31, 2018

s/DEE WILLIAMS-RIDLEY
City Manager, City of Berkeley

FULL TEXT OF BOND MEASURE O

MEASURE TO BE SUBMITTED TO THE VOTERS AUTHORIZING THE CITY OF BERKELEY TO ISSUE GENERAL OBLIGATION BONDS TO FINANCE AFFORDABLE HOUSING PROJECTS

SECTION 1. Findings.

WHEREAS, the City Council of the City of Berkeley recognizes the existence of a housing crisis in the City that has caused housing to become increasingly scarce and expensive, to the point that housing is out of reach for many extremely low-, very low-, low-, median-, and middle-income and working families and individuals, including, but not limited to, teachers, seniors, veterans, the homeless, students, people with disabilities, and other vulnerable populations; and

WHEREAS, the City Council has adopted a goal of achieving at least 10% reserved affordable housing by 2030; and

WHEREAS, the housing crisis is causing displacement of long-time communities, impacting local businesses' ability to retain workers, and leading to an increase in homelessness and housing insecurity among Berkeley residents, threatening the public health, peace and safety; and

WHEREAS, homelessness in the City has been increasing, and recent estimates project that there are approximately 1,000 homeless people in the City, almost 1% of the City's population, on any given night; and

WHEREAS, shelter beds are inadequate, and people experiencing homelessness are left to sleep in public spaces throughout the City; and

WHEREAS, providing additional affordable housing options will allow people to live in safe, decent, affordable homes and still have enough money for groceries, medicine, transportation and other basic necessities; and

WHEREAS, improving housing stability and security has been demonstrated to improve health, education, and employment outcomes; and

WHEREAS, the City is in need of safe and affordable housing for Berkeley residents to help extremely low-, very low-, low-, median-, and middle-income and working families and individuals purchase or rent homes and stay in the community, and provide supportive housing for people experiencing homelessness; and

WHEREAS, existing funds and funding sources are inadequate to finance affordable housing projects necessary to address the affordable housing crisis; and

WHEREAS, the City may have the opportunity to leverage state and county funds allocated for affordable housing if it issues bonds to finance affordable housing projects; and

WHEREAS, the City intends to issue general obligation bonds to finance the acquisition and improvement of real property for affordable housing, including the application of bond proceeds by the City directly, or indirectly through third parties as loans, grants, or other disbursements to

qualified individuals, not-for-profit entities acting alone or together with tax credit investors, not-for-profit corporations, partnerships, associations, and government agencies, to acquire real property for the purpose of constructing, rehabilitating or preserving affordable housing, or to construct, rehabilitate or preserve affordable housing; including but not limited to supportive housing, nonprofit rental housing, and limited-equity housing cooperatives affiliated with community land trusts, to reimburse City funds for the prior acquisition and improvement of property to be used for affordable housing; and

WHEREAS, the impact on the average Berkeley home assessed at \$425,000 is currently projected to be \$97 per year while Bonds are outstanding, currently estimated to be 36 years.

SECTION 2. Object and Purpose of Bonds. This measure (the "Measure") authorizes the issuance of general obligation bonds (the "Bonds"), the object and purpose of which is to finance, by the City of Berkeley or a third party, the acquisition or improvement of real property for affordable housing for extremely low-, very low-, low-, median- and middle-income and working families and individuals, including teachers, seniors, veterans, the homeless, students, people with disabilities and other vulnerable populations.

The Improvements (as defined below) will be completed as needed, and each is assumed to include its share of costs, including planning, program management and construction costs. The final cost of each Improvement will be determined as real property is purchased, plans are finalized, construction bids are awarded, or projects are completed. In addition, certain acquisition or improvement funds are expected from non-bond sources, including funds which have not yet been secured. Therefore, the City Council cannot guarantee that the Bonds will provide sufficient funds to allow completion of all needed improvements.

Proceeds of the Bonds shall be used to finance the acquisition and improvement of real property for affordable housing (the "Improvements"), including the application of bond proceeds for the City directly, or indirectly through third parties as loans, grants, or other disbursements to qualified individuals, not-for-profit entities acting alone or together with tax credit investors, not-for-profit corporations, partnerships, associations and government agencies, to acquire real property for the purpose of constructing, rehabilitating or preserving affordable housing, or to construct, rehabilitate or preserve affordable housing; including but not limited to supportive housing, nonprofit rental housing, and limited-equity housing cooperatives affiliated with community land trusts, to reimburse City funds for the prior acquisition and improvement of property to be used for affordable housing.

Proceeds of the Bonds may be used to reimburse the City for amounts advanced from the general fund or other funds or accounts to acquire real property when such purchases are made prior to the availability of Bond proceeds.

SECTION 3. Estimated Cost of Improvements. The estimated cost of the portion of the costs of the

Improvements to be paid for from the Bonds is \$135 million. The estimated cost includes legal and other fees and the cost of printing the Bonds and other costs and expenses incidental to or connected with the authorization, issuance or sale of the Bonds. The cost of the Improvements include planning, program management and construction costs.

SECTION 4. Principal Amount of Bonds. The aggregate principal amount of Bonds to be issued is not to exceed \$135 million.

SECTION 5. Maximum Interest Rate. The maximum rate of interest to be paid on the Bonds shall be 12% per annum.

SECTION 6. Accountability Requirements. The following accountability measures apply to the issuance of Bonds pursuant to this Measure:

- (a) The specific purpose of the Bonds is to finance the Improvements for affordable housing; and
- (b) The proceeds from the sale of the City's Bonds will be used only for the purposes specified in this Measure, and not for any other purpose; and
- (c) The proceeds of the Bonds will be deposited into an account to be created and held by the City; and
- (d) The City Manager of the City shall file an annual report with the Berkeley City Council which report shall contain pertinent information regarding the amount of funds collected and expended, as well as the status of the Improvements; and
- (e) All expenditures will be subject to oversight by an independent oversight committee, composed of individuals appointed by the City Council, to confirm that Bond expenditures are consistent with the intent of this Measure; and
- (f) All expenditures also will be subject to an annual independent financial audit to confirm that Bond expenditures are consistent with the intent of this Measure.