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Structuring Development for Greater Community Benefit

An Analysis of an Opportunity Model for Developing the Berkeley Global Campus at Richmond Bay

by Sarah Brundage, Joe Recchie, and Eli Moore

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This report is published by the Haas Institute for a Fair and Inclusive Society at the University of California, Berkeley.

The Haas Institute for a Fair and Inclusive Society at UC Berkeley brings together researchers, community stakeholders, policymakers, and communicators to identify and challenge the barriers to an inclusive, just, and sustainable society and create transformative change.

The Institute serves as a national hub of a vibrant network of researchers and community partners and takes a leadership role in translating, communicating, and facilitating research, policy and strategic engagement. The Haas Institute advances research and policy related to marginalized people while essentially touching all who benefit from a truly diverse, fair, and inclusive society.

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ACKNOWLEDGMENTS

This project is supported by the California Endowment through its Building Healthy Communities Initiative.

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ABOUT THE REPORT

This report was produced by the Haas Institute for a Fair and Inclusive Society at the University of California, Berkeley. The Haas Institute brings together researchers, organizers, stakeholders, communicators, and policymakers to identify and eliminate the barriers to an inclusive, just, and sustainable society and to create transformative change toward a more equitable nation.

The Haas Institute is working with community and University partners to develop anchor institution strategies to transform the structural processes of marginalization that have shaped exclusion in Richmond and the San Francisco Bay Area. Haas Institute staff and faculty provide technical analysis, research, and training to community-based organizations and residents in marginalized communities. The Haas Institute applies the framework of targeted universalism to develop policies and practices to expand equity and inclusion for all, using strategies that account for specific situations and barriers faced by groups within society. Applied to anchor institutions, the framework helps highlight practices that advance community economic development without perpetuating existing inequalities and exclusion.

This report is part of a larger body of research exploring ways to structure the development process for the Berkeley Global Campus at Richmond Bay so that it is aligned with community well-being and leveraged to reinvest substantial resources into the community. This report provides the following:

- A review of Richmond's current community needs and potential opportunities through the development of the Berkeley Global Campus.
- An analysis of a community development entity (CDE) as an Opportunity Model for the development of the Berkeley Global Campus, supplemental to a community benefits agreement and contrasted to a conventional public-private partnership.
- A clear pathway of the steps necessary to begin implementation of applying the CDE model for the campus development.

Two previous reports were released as part of this research and community partnership:

- *Anchor Richmond; Community Opportunity and Anchor Strategies for the Berkeley Global Campus at Richmond Bay.*[1]
- *Belonging and Community Health in Richmond; An Analysis of Changing Demographics and Housing.*[2]

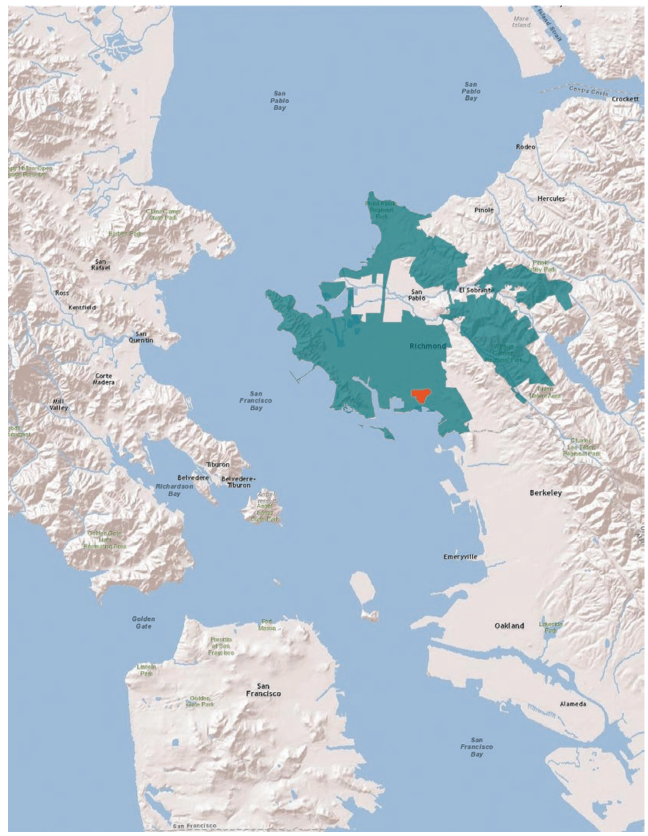
The project is generously supported by the California Endowment. The authors are grateful for the thoughtful and thorough review of this report by independent reviewers Nwamaka Agbo and Julian Gross. Any errors or omissions are those of the authors.

INTRODUCTION

IN THE FALL OF 2014, THE UNIVERSITY OF CALIFORNIA, BERKELEY and the Lawrence Berkeley National Laboratory unveiled new plans to develop the Berkeley Global Campus in Richmond, California. UC Berkeley Chancellor Nicholas Dirks described the "unabashedly bold" project as "a new form of international hub where an exclusive group of some of the world's leading universities and high-tech companies will work side by side with us in a campus setting."[3]

The development of the Berkeley Global Campus offers a historic opportunity to address socioeconomic exclusion burdening Richmond residents and to improve the long-term economic vitality of the City of Richmond.

More than a development project, the Berkeley Global Campus presents an opportunity to leverage the largest public investment in the Richmond community in decades to achieve broader, long-term community goals. UC Berkeley has a 40-year plan to develop 5.2-million-square-feet of campus buildings on 134 acres of University-owned land at the Richmond Field Station.[4] Among planners and policymakers, the newly realized importance of addressing persistently deep inequality and exclusion along the axis of race and ethnicity has inspired a rethinking of conventional planning processes, especially related to the role of anchor institutions. Universities, hospitals, and other "anchors" are embedded within the community and are uniquely positioned to have a far-reaching impact on the local and regional economy. Their promise can be realized by connecting the core mission of the institution to the aspirations of the community. As Haas Institute for a Fair and Inclusive Society Director john a. powell asked, "Will [development] be done in a way that doesn't benefit the community and isolates the community or in a way that benefits the community and integrates the community and the University?"[5]



The Berkeley Global Campus at Richmond Bay will be located between I-580 and the shoreline off Regatta Blvd.

Anticipated benefits of the campus include local living wage jobs, high-quality educational and youth programs, funding for community-based programs, expanded opportunities for local businesses and residents, and other significant benefits for low-income communities.[6] Community organizers are engaged on a range of issues to ensure that Richmond residents benefit from the project's economic boost, and Chancellor Dirks has repeatedly promised a collaborative partnership with the city stakeholders and the community.[7] This partnership seeks to shape critical decisions that will largely determine the project's impact on the Richmond community. While the Berkeley Global Campus has been positively framed as a catalyst to economic development similar to the shipbuilding operations during World War II, it is important to note that the shipyards brought tens of thousands of new residents to Richmond.

There is understandable excitement around what Richmond City Manager Bill Lindsay described as, “a new city that’s coming to Richmond’s southern shoreline,”[8] yet concerns remain around the development’s impact on Richmond’s current low-income residents.

While much of the pre-development planning, such as location and scale, have already been determined, key funding decisions have yet to be finalized. Chancellor Dirks has emphasized that UC Berkeley has “no intention of dedicating substantial central campus resources to this project during a time of continued constraints on our finances.”[9] Instead, UC Berkeley is considering several substitutes for the traditional public finance route. According to university officials, the project’s total cost will amount to $1 billion or more.

As with any large-scale development project, there is a considerable level of risk involved with the Berkeley Global Campus project. In addition to the standard risks and obstacles associated with establishing higher-education programs, the global campus will be dependent on the participation and investment of international partners, students, and researchers. Therefore, the economic success of the project will be vulnerable to not only the regional economy, but also the global economy. The present financial constraints of the University of California, Berkeley may heighten the financial risks that developers or lenders would assume.

While there are costs and benefits associated with the Berkeley Global Campus, this report operates off the assumption that the campus development moves forward, identifying a finance model that aims to maximize the potential social and economic benefits of the project for the Richmond community.

The manner in which the Berkeley Global Campus is financed will influence how well the investment meets the actual needs of the Richmond community, and whether the project will further marginalize existing low-income residents and communities of color. With development potentially beginning in 2016 and a request for proposal (RFP) for development bids expected as early as fall 2015,[10] it is critical that Richmond stakeholders are immediately and actively engaged in planning the finance model for the Berkeley Global Campus.

About the UC Berkeley Global Campus at Richmond Bay

LOCATION: 5.2 million-square-foot of buildings that will be located on 134 University-owned acres in Richmond.

MODEL: Fulfilling a new model for a global campus, the project will be located locally but designed and launched in collaboration with a set of global universities.

ACADEMICS: According to Chancellor Dirks, the campus will offer US and foreign students both undergraduate and graduate-level academic programs that are focused on global governance, ethics, political economy, cultural and international relations, and practical engagement.

TIMELINE: Development may begin 2016 and take about 40 years to build completely.

COST: $1 billion or more, according to university officials.[11]

Photo by Rasheed Shabazz

The Richmond BART station

RICHMOND COMMUNITY NEEDS &OPPORTUNITIES

About the Richmond Community

The development of the UC Berkeley Global Campus presents a critical opportunity to address socioeconomic exclusion burdening Richmond residents and to improve the long-term economic vitality of the City of Richmond. Richmond's past economic growth and slow economic recovery has failed to strengthen the economic stability of the majority of residents, particularly people of color, resulting in a weak local economy where residents struggle with high unemployment, economic exclusion, and chronic poverty. Forty percent of Richmond residents live in poverty, measured as twice the federal poverty threshold—a family of four with two children that earns less than $47,250 annually.

There are four priority areas where Richmond community needs and the capacity of the campus development coincide: employment, housing, education, and local business.

Employment. Employment in Richmond continues to be a fundamental challenge affecting the well-being of children, youth, and adults, as well as overall neighborhood stability. Richmond was hit hard by the recession and experienced continuously rising unemployment rates that surpassed the Contra Costa county, state, and national levels. The city's unemployment rate has decreased since the 2010 all-time high of the past decade at 18.5 percent, but remains above the national unemployment rate, reflecting a statewide trend of slow economic recovery. According to the June 2015 Bureau of Labor Statistics report, Richmond had an unemployment rate of 5.6 percent,[12] slightly above the national unemployment rate of 5.3 percent[13] and, more notably, well above the San Francisco metropolitan area's 4.2 percent.[14]

One out of five Richmond renters has an annual income under $20,000.

The benefits of the shifting labor market have not been equitably distributed. Underemployment and unemployment are substantially higher among young adults, formerly incarcerated residents, immigrants, and others with additional barriers to employment. For example, 78 percent of formerly incarcerated Richmond residents are unemployed, according to a recent survey.[15] Communities of color often disproportionately suffer during downturns in the economy and slow economic recovery. July 2015 labor reports show that unemployment rates in California among Caucasians is 6.4 percent, 7.8 percent among Latinos, and 12.9 percent among African Americans—more than twice that of Caucasians.[16] While African Americans are 7.3 percent of the total workforce in the East Bay, they are 19.5 percent of the unemployed workers.[17] Richmond unemployment trends are no exception to racial economic disparities in the state: young black men between the ages of 16 and 24 in Richmond have the highest unemployment rate at 36 percent.[18]

Furthermore, Latino and African American workers are underrepresented in occupations with the highest median wages. Among the 15,000 workers in the East Bay who are Laborers and Helpers, the median wage is $14 per hour, and more than 50 percent of workers are Latino, while Latinos are 20 percent of the total workforce. In the science, engineering, and computer-related occupations, the median wages range from $37 to $46 per hour. In these higher paying professions, the Latino and African American populations combined are less than 10 percent of the workers, even though they are 27 percent of the total workforce.[19]

Housing. Major development projects like the Berkeley Global Campus are inextricably linked to issues of housing affordability and inclusion. The Berkeley Global Campus is already changing the way Richmond is perceived; and as a major employer, it will host workers who want to live close to their workplace. Both factors would increase the demand for and value of housing in the city. Richmond homeowners will likely welcome increased property values, but many Richmond residents are renters for whom increased housing demand may do more harm than good. The increased housing demand brought about by the new campus may contribute to increases in rent, threatening to make housing less affordable for low-income residents.

Major development projects like the Berkeley Global Campus are inextricably linked to issues of housing affordability and inclusion.

More than 9,000 Richmond residents (48 percent of all renters) are low-income renters already overburdened by their housing costs, meaning that they pay more than 30 percent of their income toward housing. One out of five Richmond renters has an annual income under $20,000. In the neighborhoods across Interstate 580 from the project site, 25 to 50 percent of all households are low-income, cost-burdened renters. With no disposable income, these residents are particularly vulnerable to displacement in the event that their housing costs increase at a greater rate than their income. The effects on housing affordability are likely to have highly racialized outcomes, as Black and immigrant communities were disproportionately targeted for sub-prime lending and have higher percentages of renter-occupied households.

The City of Richmond is projected to need an additional 743 units of housing for low and very low-income residents over the next eight years, according to the Association of Bay Area Governments Regional Housing Needs Assessment.[20] In addition to expanding the stock of affordable and available housing for low-income workers, the existing stock of affordable housing must be preserved. While the City of Richmond is developing new land use designations in the area around the planned campus through the Richmond Bay Specific Plan, the housing in this project is unlikely to be sufficient to meet the demand for affordable housing. Financing for affordable housing is extremely limited across the state, particularly in cities like Richmond where local tax revenue is limited.

Education. An estimated 28 percent of youth in Richmond live in poverty. According to the most recent data available, only one third of the graduates from the three public high schools in Richmond had completed the courses required to be admitted to a California State University.[21] Finishing college increases a person's wages by more than 40 percent on average. However, the education system in Richmond is not fully cultivating its potential for lifting youth out of a cycle of poverty.

Educational attainment in key classes such as Science, Technology, Engineering, and Mathematics (STEM) and University of California/California State University requirements fall short of the pressing needs of Richmond students. Statistics from Richmond High School offer a glimpse into the state of education for youth in Richmond: in the 2013 Annual Yearly Progress report from the California Department of Education, 16.1 percent of Black students and 28.6 percent of Latino students from Richmond High met proficiency rates in math. While tests do not provide a full picture of aptitude, they do uncover broader issues within Richmond's schools that cannot go ignored. Advanced placement courses and other courses help students gain skills and attain employment after high school, such as Health Science and Medical Technology, Building Trades and Construction, and other professional fields. Such courses, however, are under-resourced.[22]

Wealth allows families and communities to weather periods of hardship and pass on economic opportunity to the next generation.

Community Wealth. In addition to income inequality, Richmond residents face great wealth inequality. Wealth accumulation is critical for communities to overcome chronic poverty and achieve long-term economic growth; wealth allows families and communities to weather periods of hardship and pass on economic opportunity to the next generation. The wealth of a typical American household fell by one-third between 2005 and 2010. The loss hit African American families hardest, for whom wealth fell by 60 percent, while white families lost 25 percent of their wealth. The result is an even wider racial wealth gap than before the recession. In 2010, the median household net worth of white families was $110,729 while net worth of Latino and African American households was $7,424 and $4,995, respectively. Richmond's wealth inequality could be mitigated through the increased opportunities for low-income residents, particularly people of color, to own a business, a home, retirement accounts, investments, land, or other assets.[23]

EXISTING COMMUNITY INVESTMENT RESOURCES

Even without the forthcoming development of the Berkeley Global Campus, the previously highlighted needs of the Richmond community demand immediate attention and investments. However, the City's ability to meet its economic vitality goals in coming fiscal years and to adequately address economic exclusion is crippled by inadequate funding. Currently, both public and private community development efforts are insufficiently funded and face future financial uncertainty as well as other obstacles to adequately address the economic needs of the local community.

The City of Richmond faced a budget shortfall of $7.4 million for its 2015-16 budget, and some expect it to reach $9 million this year.[24] This is the city's fourth consecutive year of a budget deficit. Richmond also faces severely diminishing Housing and Urban Development (HUD) resources as a result of the devastating budget cuts from sequestration and inadequate federal budget funding levels. For FY2015, the City received $1,092,323 in Community Development Block Grant (CDBG) funding, and $389,071 in Home Investment Partnerships Program (HOME) funding, a drop of 2 percent and 7.4 percent, respectively.[25] These reduced funding levels are hardly sufficient to address the gross economic exclusion in Richmond. Furthermore, the City itself acknowledges difficulties in administering HUD grants in recent years, citing obstacles that "delayed the completion of past projects" and "eliminated a key source of leveraged funding for both projects and staffing."[26]

In addition, Moody's Investors Service recently downgraded the City of Richmond's issuer rate to Baa1 from A1, pension bonds to Baa2 from A2, and placed the city and wastewater enterprise ratings under review for possible downgrade. Moody's report cited total assessed valuation (AV) remains well below pre-recession levels despite tax base growth, and the city's $45 million in cumulative deficit over the last six years. The report also noted that "further deterioration of financial position and liquidity through continued deficit spending" could lead to even lower ratings.[27]

Private foundation investment cannot adequately substitute for the lack of public funding in the City of Richmond. The Richmond Community Foundation is the only local foundation and has a small mini-grants program. The California Endowment's "Healthy Richmond" is a major grant-making initiative, but it is a 10-year commitment that is designed to conclude in 2020.[28] Given the large scale of unaddressed community needs, it is not feasible for private foundations to solely provide investments needed, let alone offset any new economic setbacks for Richmond's low-income communities.

The Berkeley Global Campus presents a historic investment opportunity that could approach the scale of existing needs.

The Berkeley Global Campus presents a historic investment opportunity that could approach the scale of existing needs. Executive Director of the Oakland-based East Bay Economic Development Alliance, Darien Louie, estimated that the total economic benefit to Richmond could reach $4 billion at build-out.[29] However, development of the campus does not automatically guarantee that the existing Richmond community receives benefits from the project. In fact, it does not generate tax revenue from local property taxes the way a typical private development project does. Public agencies do not pay property tax or sales tax, the primary sources of revenue for the city. But it does require public infrastructure, which the city may help finance through an infrastructure financing bond.

Policy Framework for Maximizing Community Opportunity

There are several spheres of policy and practice in which action will be necessary for achieving the broadly inclusive impact that many in the community and at the University have envisioned. This section offers an overview of the policy areas and roles of the primary institutions, before delving more deeply into the importance of the finance model. To maximize impact, partnerships are often required that advance a shared goal and integrated strategy based on the unique capacity and mission of the institutions involved. This is why many of the most important spheres of policy for this project involve agreements between key players.

This brief description of institutional roles and policy priorities is based on analysis of the authority, capacity, and missions of the city, the University, and community-based and service organizations. For the City of Richmond, the University and national lab, and service providers and non-profit organizations, we briefly list the areas of policy and practice that are most relevant to achieving a bold vision of community inclusion.

Photo by Rasheed Shabazz

CITY POLICY

- Housing policy to protect low-income renters and housing development to meet additional demand
- Leveraging its government role to secure binding commitments to community benefits
- Programs supporting pathways to campus opportunities, including employment training, small business support, and youth programs
- Coordination and monitoring of Community Benefits Agreement implementation
- Land use and infrastructure in the surrounding neighborhood to support campus development, maximize community connections, and facilitate economic cluster effects.

UC BERKELEY AND LAWRENCE BERKELEY NATIONAL LABORATORY

- Community Benefits Agreement with community stakeholders and the city delineating specific goals and strategies to achieve community benefits
- Development Agreement with master developer that integrates all relevant commitments from the Community Benefits Agreement
- Project Labor Agreement that integrates all relevant commitments from the Community Benefits Agreement
- Modifications to various UCB and LBNL policies related to employment and procurement to achieve community benefits goals.

SERVICE PROVIDERS AND NON-PROFIT ORGANIZATIONS

- Engagement of community residents in planning, monitoring, advocating, and supporting community benefits commitments and activities
- Development of Community Benefits Agreement goals aligned with community needs and priorities
- Coordination and monitoring of Community Benefits Agreement implementation
- Design and implementation of programs connecting residents to campus opportunities, including educational programs, employment training, small business support, and youth programs.

EFFORTS TO ESTABLISH A COMMUNITY BENEFITS AGREEMENT

At the time of this report's publishing, the university had not yet entered into a Community Benefits Agreement. However, there has been progress over the past year, thanks to the efforts of community, city, and university leaders.

- Richmond community groups ACCE, Safe Return Project, and CCISCO began organizing in 2013 to engage the broader community and the university in developing a CBA. In response, the university established a Community Working Group, and the group is now facilitated by an outside consultant. The working group is tasked with submitting recommendations to the Chancellor for a CBA. The Chancellor appointed the Community Working Group members, and the group is chaired by UCB and LBNL.
- The three community groups joined together with the Contra Costa Labor Council, the Contra Costa Construction Trades Council, and AFSCME 3299 to form the Raise Up Richmond Coalition. The coalition organized to inform and engage Richmond residents, community groups, interfaith organizations, students, and UC workers. The elements of the CBA that the campaign is calling on the university to agree to include housing, job training, employment, small business procurement, and education policies.
- The campus Community Working Group has established committees to develop draft recommendations related to local hiring, workforce development, local procurement, and housing.
- In February, the Richmond City Council adopted a resolution to "encourage the UC System and regents to enter into a Community Benefits Agreement to ensure that Richmond receives equal benefits from the UC Berkeley Global Campus."[i]
- In late May, UC Berkeley Chancellor Nicholas Dirks presented an open letter to the Richmond community, committing to "signing binding agreements that will ensure Richmond benefits from the campus's development and operations that go far, far beyond [the university's] legal obligations." Chancellor Dirks reiterated the university's commitment to collaborate with the Richmond Community Working Group, stating, "When the Working Group process is completed, [the university] will enter into appropriate agreements that will define and guarantee the benefits that will accrue to the community as a result of the project."[ii]

i City of Richmond Resolution No. 18-15: Resolution In Support Of A Robust Community Benefits Package As Part Of Berkeley Global Campus. Retrieved from: http://ca-richmond2.civicplus.com/ArchiveCenter/ViewFile/Item/6406

ii "Open letter to the Richmond community from UC Berkeley Chancellor Nicholas Dirks: An update on the Berkeley Global Campus." University of California, Berkeley. May 28, 2015. Retrieved from: http://chancellor.berkeley.edu/sites/default/files/UCB-ChancellorDirksOpenLetterRichmond-BGCRB-5-28-15.pdf

OPPORTUNITIES THROUGH A COMMUNITY BENEFITS AGREEMENT

A critical tool that ties together much of these areas of policy is a Community Benefits Agreement (CBA). A CBA is "a legally enforceable contract, signed by community groups and by a developer, setting forth a range of community benefits that the developer agrees to provide as part of a development project."[30] Through a CBA, the development of a project has the added values of inclusiveness, enforceability and accountability, transparency, coalition-building, efficiency, and a clarity of outcomes. These agreements establish legally binding and measurable objectives and actions to be carried out during the project.[31] See the following sidebar for a brief history of efforts to establish a CBA for the Berkeley Global Campus in Richmond.

The policy and program proposals coming out of community advocacy and Working Group planning provide a useful starting place for understanding the importance of the financing of the campus. Some of the policy recommendations above do not require significant financial investments. But to reach the necessary scale, some require financial resources beyond what the City of Richmond can currently afford.

Community proposals that will require significant investment include:

- investment in workforce development programs that support historically excluded workers;
- funding for a program to assist low-income tenants at risk of displacement;
- support toward affordable home ownership by investing in an Affordable Housing Trust Fund that will subsidize the development of affordable housing units and fund rent-to-own and down payment assistance programs;
- investing in the creation of a Community Land Trust to ensure a long-term stock of affordable housing;
- support for Richmond teachers with training, curricula, and equipment;
- creating internships and experiential learning opportunities for high school and community college students to build career pathways in Science, Technology, Engineering, Arts and Math (STEAM) fields;
- sponsoring an "anchor opportunity study" analyzing campus purchasing opportunities for new, small, minority-owned, and worker-owned businesses; and
- creating a fund for launching and building capacity of small, minority-owned, and worker-owned businesses offering goods or services to the campus.

Other policy recommendations that do not require additional financial resources include:

- adopting a hiring policy targeting local and disadvantaged workers for Berkeley Global Campus positions;
- instituting a living wage policy, and extend union bargaining agreements to the new campus;
- creating a process for coordination of UC programs with community input and transparency;
- ensuring that UC Berkeley and LBNL staff meet regularly with a community business working group to identify new opportunities for collaboration; and
- structuring contracts and the contract bidding process to encourage inclusion of small, minority-owned, and worker-owned business.

More detailed analysis of these and other strategies can be found in the Haas Institute's *Anchor Richmond* report, as well as by attending meetings of the Community Working Group or the Raise Up Richmond Coalition.

IMPORTANCE OF THE FINANCE MODEL

THE FINANCING SCALE OF THE BERKELEY GLOBAL CAMPUS at Richmond Bay will remain unknown until the finance partners and models are established, but it is estimated to reach $1–4 billion during the full life of the project. As this capital moves through Richmond in the form of a project managed by a public agency, there is a powerful opportunity to structure the financing so that it can support community projects linked to public benefits.

The approach that the University is considering for developing the campus is a conventional public-private partnership model under which a private developer obtains financing from private investors and builds and owns the campus buildings. To examine an alternative to this model, it is necessary to first understand the conventional approach.

Campus Finance Parameters

Political and financial limits on financing of university projects have led the University to pursue private financing and construction by private developers. Historically, most universities have financed development through funding from a state legislature, endowment, capital campaign, or bonds. In recent years, many public colleges and universities have had to turn to private financing, often because they cannot issue further debt or because of statutory limits or other financial limitations. States are facing their own political and financial obstacles with debt and are not issuing bonds for public institutions.[32] In the past, UC Berkeley relied on state funding as its primary source of funding for capital projects. As the state's financial commitments became more uncertain, the University sought alternative debt and financing strategies.

The University has also sought taxable financing that allows university facilities to be used by private industry. UC Berkeley, by way of the UC Regents, has issued tax-exempt and taxable bonds to finance, in part or in full, large capital projects. The University generally utilizes two types of bonds: General Revenue Bonds (GRBs) and Limited Project Revenue Bonds (LPRBs). As a non-profit organization, UC Berkeley can issue GRBs and LPRBs as tax-exempt bonds or taxable bonds. While tax-exempt bonds typically offer lower financing rates than similarly structured taxable bonds, the University has taken advantage of taxable financing. With historically low taxable rates in the markets today, UC Berkeley added more taxable bonds to its debt portfolio. Taxable bonds, unlike tax-exempt bonds, do not restrict private activity in buildings financed with those bonds. By borrowing with taxable debt, the University is free to pursue revenue-generating corporate partnerships in more of its facilities.

As a project managed by a public agency, there is a powerful opportunity to structure the financing so that it can support community projects linked to public benefits.

However, UC Berkeley and the University of California system are at their debt capacities. As of May 15, 2015, the University of California has a current debt of almost $16.0 billion outstanding under the GRB, LPRB, and medical center pooled revenue bonds (MCPRB) credits.[33] According to a scoping memo prepared by the Bay Area Council Economic Institute on the potential of public-private partnerships for financing the development of the Berkeley Global Campus, "public funding for any capital improvement or expansion of facilities in the UC system is at best severely limited. With the state's debt capacity on a concerning trajectory, the outlook for further issuance of state debt for capital projects is constrained." Like other institutions pursuing alternative finance models instead of taking on more debt, UC Berkeley has turned toward public-private partnership methods.[34]

Public-Private Partnership Land Lease Model

UC Berkeley's proposed approach to financing and developing the new campus is a public-private partnership model that involves leasing UCB land to a private developer who secures private financing. Once the University secures funding for a set of programmatic activities at the Richmond campus, such as a new research project or educational program, the University will contract with a developer to build the buildings needed for those activities. The University will offer a long-term lease to the developer for the land where the buildings will be located. The University will commit to lease the buildings back from the developer once they are built, guaranteeing revenue to the developer over something like a 20-year period. The developer will secure private financing and construct the buildings.

This public-private partnership model allows the University to keep the debt needed for campus development off its books. It also creates a lucrative opportunity and relatively low-risk opportunity for a developer, whose repayment is promised through the education or research funding and therefore not subject to higher risk fluctuations of the market.

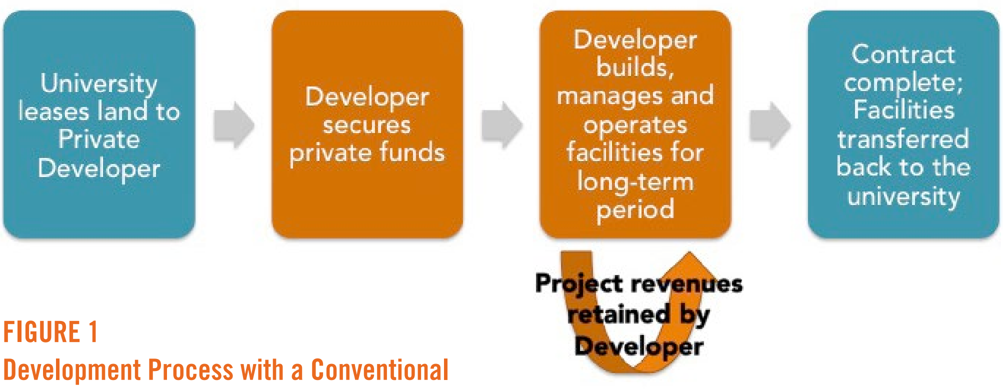


FIGURE 1
Development Process with a Conventional Public Private Partnership Lease-Back Approach

As previously mentioned, private investors in the partnership both finance and manage the project development. Instead of the public university maintaining and operating the facilities, private investors perform this role, usually for a period of 20 to 30 years. At the end of the contract period, the facilities are transferred back to the University. Throughout the project, the private investor accrues revenue in the form of tolls or user fees, revenue guarantees, service fees (e.g. availability payments, shadow tolls, procuring authority), and/or subsidies.[35]

Incentives reported for private-public partnerships include:

- **Access to capital.** University of California officials have reported that the primary incentive for most university-developer partnerships is access to capital, with the possible added benefit that private partners can build and operate facilities, such as residence halls, at a lower cost and faster than the University can;[36]
- **Lower long-term operating costs.** While tax-exempt public funding has lower initial costs, public-private partnerships can result in lower long-term operating costs through

improved operations and maintenance. Public-private partnerships offer "the transfer of both front-end and long-term risk from the public partner to the private sector that can result in dramatically accelerated timelines, life-cycle savings of up to 30 percent, and performance and maintenance milestones that eliminate or reduce the costs of deferred maintenance often associated with increasingly constrained public budgets and operations capacity;"[37] and

- **For-profit ventures.** Public-private partnerships also allow for alternative uses of space, such as for-profit ventures, that might be prohibited under tax-exempt bond funding.[38]

There has been a rise in the use of this conventional public-private partnership model instead of tax-exempt public funding because of a steep decline in private debt cost and increased constraints on public debt. A public-private partnership is the finance model being considered by the UC Berkeley for the development of the Berkeley Global Campus. As of 2010, the University of California system had reported about 60 such partnerships.[39] While such a model provides the financial path to development that the University needs, it is critical to note is that the private developer retains the profits generated from the project during the lease.

AN OPPORTUNITY MODEL: UTILIZING A COMMUNITY DEVELOPMENT ENTITY

A Community Benefits Agreement (CBA) is the first and necessary step to ensuring the project also serves the community's needs; however, the finance model plays a central role in determining the scale of benefits and whether the needed community investments will be made to achieve the community benefits goals. A governance structure that is inclusive of community and dedicated to community well-being, in addition to a CBA, would achieve an even greater scale of community investment.

We recommend that the development of the Berkeley Global Campus is financed and structured in a manner that commits to serving the community needs of Richmond; we consider a public-private partnership that utilizes a 501(c)(3) Community Development Entity (CDE) to be the finance vehicle that can achieve both the goals of the university and the Richmond community. A CDE is any duly organized entity treated as a domestic corporation or partnership that has a primary mission of serving or providing capital investment to low-income communities or persons that maintains accountability to the low-income community, and is legally certified.[40] An existing or newly established CDE could be positioned to be the Master Developer, competing in the University's bidding process to win contracts to develop projects on the Richmond campus. The CDE could act alone or enter into a partnership with an existing developer, combining the development capacity of the partner with the mission and governance structure of the CDE. The CDE model is nearly identical to the public-private partnership model previously described, with the exception of the community-serving entity inserted in the process.

A new CDE could be established with the financial backing of foundations and in cooperation with Richmond community groups. If the CDE alone or with a partner obtained a contract with the University, it would secure financing, tax-exempt and otherwise, and execute development of the Berkeley Global Campus while simultaneously investing profits into large-scale community programming serving low-income community needs.

Legal Requirements of a Community Development Entity

Primary Mission. A CDE must demonstrate a primary mission of serving or providing investment capital for Low-Income Communities (LICs) or Low-Income Persons. There are two components to this requirement:

- an applicant must provide organizational documents evidencing such a mission; and
- an applicant must certify that a minimum of 60 percent of its activities (e.g. loans and investments) are or will be directed towards serving low-income persons or LICs.

Accountability. A CDE must demonstrate that it maintains accountability to the LICs that it serves or intends to serve. There are two components to this requirement:

- an applicant must indicate which LICs it serves or intends to serve; and
- an applicant must show that a minimum of 20 percent of either its governing board or advisory board(s) is representative of the LICs that it has designated.

Legal Entity. In order to be certified as a CDE, an applicant CDE must be a domestic corporation or partnership for federal tax purposes and be duly organized and validly existing under the laws of the jurisdiction in which it is incorporated or established. For-profit and non-profit organizations may be certified CDEs by the Community Development Financial Institutions Fund of the United States Department of the Treasury.[41]

In this case, the CDE would need the technical, legal, and financial capacity to develop state-of-the-art facilities at the Berkeley Global Campus. The CDE could be an existing entity, or newly established. Either way, its governance structure (board and by-laws) and staffing would be arranged to meet the needs of the University and the community. A CDE is an approach that achieves three necessary goals:

- meets the University's quality expectations for the project by securing the most qualified, competitive developers and team with demonstrated experience;
- guarantees benefits to the low-income community by reinvesting profits from the project into the community, guided by the Community Benefits Agreement; and
- maintains financial feasibility through CDE-specific financial incentives and other investments.

Meeting University Project Expectations

UC Berkeley's development plans will move forward, bringing cutting-edge research and education projects and facilities to Richmond. The University's campus development goals can be met through effective planning and design of a CDE. The CDE would have the ability to attain third party professionals who have the experience and expertise from developing similar facilities. This is standard practice for developers of projects like the new campus, where highly specialized firms are contracted to play various roles in campus construction. The Berkeley Global Campus could be financed through a CDE that would assemble a team of high caliber professionals that might include the same expert professionals that a for-profit developer would have hired.

Serving Low-Income Communities

The CDE adds serving low-income communities to the mission of the campus development governance structure. A CDE acts as a non-profit development entity and guarantees the reinvestment of profit from the development back into the community.

If the University entered into a conventional public-private partnership, a developer's fee would be negotiated with the University; private developers typically take 15 percent of revenue as profit. The amount of profits accrued by developers depends on the costs of the project, so while the cost of the project is currently unknown, it is expected to be a substantial amount of revenue. For example, if the full build-out of the campus entails $4 billion in costs, the profits accrued by developers could be in the realm of $600 million.

Through a Community Development Entity, the impact of the anchor development will be captured on behalf of the community.

With a CDE model, the share of the project profits otherwise held by the developer could instead be invested according to the CDE mission. A non-profit development organization- with local accountability and appropriate business capacity that has won the contract for developing the campus- could create a substantial structure for financing community benefits aligned with many of the recommendations set forth in a Community Benefits Agreement.

Through a CDE, the impact of the anchor development will be captured on behalf of the community. Profits will be delivered to the community over the extensive period of time that the development takes place, and can begin to address the lack of opportunity in Richmond described in the first part of this report. Whether the goal is to invest in workforce development programs that support historically excluded workers or to protect and expand the affordable housing for Richmond's low-income residents, the previously outlined community objectives can be best achieved through a CDE model.

Accessing Unique Financial Tools

A CDE also offers competitive financial incentives for universities that have reached their debt capacity. A CDE has access to tax-exempt financing, so it can benefit from low interest rates. This allows a CDE to provide a competitive bid, possibly more competitive than that of a private developer working within a traditional public-private partnership. The non-profit CDE model has access to a wide range of funding opportunities, including grants, private sector support, completion and cost overrun guarantees, tax-exempt bond offerings, and New Market Tax Credits. This approach can result in the lowest-cost delivery for both variable and fixed expenses.[42]

If the CDE wins the Berkeley Global Campus project bid, UC Berkeley's commitments to the CDE will serve as bankable contracts the CDE can use to leverage additional financing through traditional lending. As well as development fees, the CDE, like any developer, can utilize private lenders and financing intermediaries or third party guarantors to help create the necessary financing package for its projects. In addition to quantifiable savings, the social benefits to the community will be invaluable.[43]

New Markets Tax Credits. A leading financial incentive for the CDE model is the opportunity to benefit from New Markets Tax Credits (NMTC), a tax incentive for investing in economically disadvantaged communities like Richmond. Enacted by Congress through the Community Renewal Tax Relief Act of 2000, the New Markets Tax Credits program is primar-

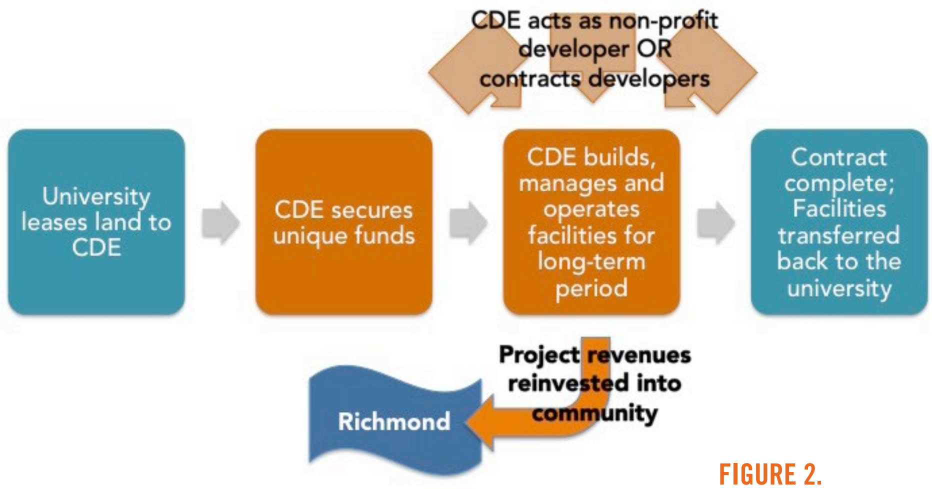


FIGURE 2.
Development Process with a Community Development Entity included in the Public Private Partnership

ily intended to encourage private capital investment in eligible low-income communities and is arguably the most successful of the federal legacy programs for stimulating investment in distressed areas.

CDEs are the only qualified investment groups allowed to apply for an allocation of the NMTC from the US Department of Treasury's Community Development Financial Institution (CDFI) Fund. Once the CDE has secured its NMTC allocation authority, it can begin using the NMTC allocation as an incentive to attract investors. CDEs secure taxpayers–individual or corporate–to make Qualifying Equity Investments (QEIs) in the CDE. The CDE then must make equity investments in qualifying low-income communities (LICs) and low-income community businesses (LICBs). Investor proceeds must be "substantially"[44] used for eligible investments in qualifying LICs. After the CDE is awarded a tax credit allocation, the CDE is authorized to offer the tax credits to its private equity investors. These investors can be individual or corporate taxpayers who then claim a credit against federal income taxes for their QEIs.

Investors receiving the credit can claim the NMTC over a seven-year period, at a rate of 5 percent for each of the first three years and a rate of six percent for each of the next four years, for a total of 39 percent. According to new data on the first 11 application rounds of the program (FY 2003 through FY 2013), the CDFI Fund has made 836 NMTC awards, allocating a total of $40 billion in tax credit authority to CDEs.[45] Although the NMTC program expired at the end of 2014, there is bipartisan support and various legislative and executive proposals to make the program permanent and increase its allocation amount.

Program-related Investments. Further along in the project, private investors would have the opportunity to make program-related investments by investing in bonds used for development. Program-related investments (PRIs) are investments made by foundations to support charitable activities or to further some aspect of their charitable mission. Considered a long-term, recoverable investment, PRIs offer the potential return of capital within an established timeframe, unlike grants. Often used to finance affordable housing and community development, PRIs include financing methods commonly associated with banks or other private investors, such as loans, loan guarantees, linked deposits, and even equity investments in charitable organizations or in commercial ventures for charitable purposes.[46]

PRIs must significantly further the foundation's exempt activities. According to the IRS, some typical examples of program-related investments include:

- "low-interest or interest-free loans to needy students;
- high-risk investments in non-profit low-income housing projects;
- low-interest loans to small businesses owned by members of economically disadvantaged groups, where commercial funds at reasonable interest rates are not readily available;
- investments in businesses in deteriorated urban areas under a plan to improve the economy of the area by providing employment or training for unemployed residents; and
- investments in non-profit organizations combating community deterioration."[47]

The primary benefits of PRIs for the recipients are access to capital at lower rates than may otherwise be available. For the funder, the primary benefit is that the repayment or return of equity can be recycled for another charitable purpose.[48] As financial tools that help mission-driven organizations attract additional funding sources, build income and assets, and achieve long-term financial stability, PRIs would likely be a critical component to the CDE model.

Impact Investing. The CDE model also attracts impact investment. This newer type of investment model offers a hybrid of philanthropic services and sustainable investments. Although exact definitions of impact investments may vary, Credit Suisse defines them as "investments made with the primary intention of creating a measurable social impact, with the potential for some financial upside." Impact investments can take form as "innovative impact bond structures to peer-to-peer funding platforms to seed stage investing forums."[49]

According to Credit Suisse, impact investments "may face some risk of financial downside, but no deliberate aim of consuming capital as with a charitable donation. In short, impact investments place capital in businesses and other vehicles that are designed to generate a tangible social impact as well as a financial return." While impact investments are evaluated against standard risk and financial return metrics like traditional investments, a key difference is the added performance parameters of social impact.[50] Since the development of the Berkeley Global Campus offers the potential for financial and societal benefits for Richmond, the project could attract additional long-term funding through impact investments.

Comparison of the Conventional and Opportunity Public-Private Partnership Models

A CDE would potentially achieve the same capital and efficiency of a conventional public-private partnership. A CDE, by filling the same role as a private partner in a public-private partnership, assumes "not just the more conventional responsibility for Design, Bid, and Build project functions, but also shoulders the Financing, Operations, and Maintenance responsibilities and risks."[51] A CDE could achieve the same efficiency as a public-private partnership because it would employ the same level of expertise to plan and execute development of the Berkeley Global Campus. Furthermore, the perceived financial savings of a public-private partnership model is often only possible through significant yet often overlooked societal and economic costs.

Disadvantages to the basic public-private partnerships include the following.

- **A lack of public participation.** Public-private partnerships often provide "limited opportunity for meaningful levels of transparency or public participation."[52]

CASE STUDY

UNITY CENTER OF OHIO

Project...........Unity Center
Location ....Columbus, Ohio
Leaser ....Unity Partners, Inc., a non-profit
Lessee...........Franklin County Job and Family Services
Financing ......Tax-exempt bonds
Cost ....$5 million

The Unity Center project used a modified public-private partnership model that inserted a non-profit entity with access to tax-exempt financing. This case study demonstrates how a non-profit organization can deliver a competitive bid and successfully execute all the responsibilities of a developer/owner, while also achieving project goals to benefit low-income, disadvantaged residents and workers, and underrepresented firms.

Photo by Joe Recchie

PROJECT DESCRIPTION

The Unity Center is a 50,000ft^2, multi-story Class A office space and contiguous parking lot for 190 automobiles. The Unity Center was designed and built in response to a public Request for Proposals (RFP) initiated by Franklin County, Ohio for the replacement of its Job and Family Services Building. The RFP indicated specific space needs and with a competitive ranking based upon building specifications, lease price, and geographic location. It is important to note that no additional consideration was given to provide preference for the non-profit sponsorship.

FINANCE MODEL DESCRIPTION

Unity Partners, formed in response to the RFP, is a non-profit organization comprised of three member churches in Columbus, Ohio with significant member representation in the northeast side of Columbus, the location of the Unity Center. Initial funding of Unity Partners was from a $750 gift from a member. With 14 days total elapsed time between the advertisement of the RFP and submission deadline, Unity Partners was formed as an Ohio non-profit organization and its application for federal tax-exempt status was prepared and submitted to the U.S. Internal Revenue Service.

Next, Unity Partners took the following actions pre-development:

- Optioned properly zoned land;
- Designed a building to the schematic stage for the purpose of estimating construction and operating costs;
- Held negotiations on obtaining a bank letter of credit, conditioned upon success in the competition;
- Obtained an inducement for the structuring of tax-exempt bond funding from the government authority;
- Obtained a construction estimate; and
- Bid a lease rate and terms that were bankable and competitive.

Unity Partners competed with six established for-profit development companies and won the bid. Unity Partners then moved forward in its role as developer and leaser, completing the following responsibilities:

- Completed construction design, using the construction/development advisory services of Lakeland Concorde Partners;
- Obtained all government approvals;
- Held public hearings on the bond issuance;
- Negotiated the letter of credit, trust indenture, bond terms, construction contract, and the lease; and
- Executed the plan delivering the building on time and on budget for the use of the County and to the satisfaction of the institutional bond buyers.

In addition to the competition set up by the RFP, Unity Partners established internal challenges for itself as an entity. With the technical assistance of Lakeland Concorde as contractor, it set a series of trainings for minority contractors to enhance bidding on the construction project. The result of this comprehensive effort was a minority contractor participation of over 70 percent on construction. The building was built in the middle of the northeast quadrant set up as a target area by the non-profit and the economic development impact was maximized with the minority engagement.

The entire process—competition, formation, development, construction, operation—took 13 months. The appraised value of the building was over $1 million more than the construction cost and it generated positive cash flow from the first month of operation resulting in wealth building for the non-profit and its church members.

- **A neglect of equitable partnerships between public entities and disadvantaged communities.** Public-private partnerships have also been criticized for the "ambivalent and even deceptive core of such partnerships that enable their effective operation as a form of privatization, advancing the interests of the private sector and the market under the banner of sharing power with the poor and the state."[53] Studies on the impacts of public-private partnerships often conflate economic growth and poverty alleviation by only examining wealth creation, and failing to also examine wealth distribution.[54] In the pursuit of one economic objective, public-private partnerships are at risk of neglecting other opportunities to benefit disadvantaged communities.
- **An achievement of profitability or cost-effectiveness at the expense of wages and benefits.** Public-private partnerships may partially be generating long-term savings by pushing down employee wages and benefits. Without legal requirements to provide stable, decent wages and benefits to local employees, private partners may choose outsourcing to avoid union representation and better labor standards.

A CDE is a superior model in achieving an inclusive process for the low-income residents it is serving. A CDE also commits to a higher level of accountability to its community than a public-private partnership. Under a traditional public-private partnership, the development of the Berkeley Global Campus would be more likely to exacerbate Richmond's economic exclusion and displace its low-income residents. Both of these pitfalls can be mitigated by utilizing a CDE instead.

A CDE has the capacity to provide alternative financing to UC Berkeley while also achieving the same efficiency as a public-private partnership. Furthermore, a CDE would also provide the added benefit of meeting the community's inclusion and equity goals.

There are risks associated with the Berkeley Global Campus that would remain, regardless of the finance model. Also, given its mission-driven structure to serve the low-income community, a CDE would have limitations on its for-profit ventures. While this could be considered disadvantageous for for-profit developers, the trade-off is advantageous for the City of Richmond and its low-income residents, as project profits circle back as a community investment.

A PATH FORWARD: INVESTING IN RICHMOND

PROJECT STAGES

FINANCING THE DEVELOPMENT of the Berkeley Global Campus is a time-sensitive and critical component to ensuring that this anchor institution benefits low-income residents of Richmond. A Community Development Entity (CDE) is the strongest finance model when considering the demands of the projects and the needs of the community. A pathway to achieving the efficient and equitable CDE model is broadly outlined below.

If an existing CDE is the desired path, Stage I, Establishing a CDE, could be substituted with a stage of establishing a partnership between the CDE and a project advisory board.

STAGE I
Establish the CDE

- **Establish a working group to coordinate establishing the CDE.** A working group that includes at least one development professional, community leader, and grant-maker/investor would be responsible for securing initial funding and recruiting board members.
- **Secure initial funding.** Grant funding is needed to begin the process of establishing a CDE model.
- **Assemble an advisory board.** The CDE will assemble a team of stakeholders and third party professionals to serve as an advisory board. These professionals would meet the standards of the CDE as well as the University. The team would include: representative(s) of the low-income community that the CDE is designated to serve (minimum of 20 percent of the advisory board); technical assistance expert(s) familiar with CDE operations and similar projects; developers and design and project architects with extensive previous experience working with universities on facilities similar to the Berkeley Global Campus; civil, structural, and mechanical engineers versed in the specific requirement of space required; and professionals in finance, law, and accounting with the independence and professional liability to assume risks associated with their respective specialties.[55]
- **Legally establish the CDE.** With the assistance of legal experts, the advisory board will oversee the legal establishment of a 501(c)(3) Certified Development Entity, independent of the City of Richmond and UC Berkeley.

STAGE II
Pre-development

- **Prepare the proposal.** The CDE will develop a Master Plan that fulfills UC Berkeley's objectives as well as the community's goals.
- **Bid on the RFP.** The CDE will submit its proposal alongside private developers in the public bidding process.

STAGE III
Development (if bid secured)

- As master developer, the CDE will build and operate facilities and infrastructure as designated by UC Berkeley. Terms and costs would be detailed in the contract.
- The CDE will secure supplemental capital.
- Development fees are instead absorbed as CDE income and invested into the community. The CDE will take responsibility for job training, job placement, small business growth, and other mission-driven objectives to serve Richmond's low-income communities.

Investment Descriptions

Private investors would initiate and support the CDE in cooperation with Richmond community groups until further capital is secured. There are two main types of private funding this project needs to be successful:

FUNDING FOR PRE-DEVELOPMENT COSTS

- **Purpose:** Establish the CDE, execute the agreement, secure and coordinate the developers and team, prepare the project proposal. The CDE, initiated by foundations and community groups of Richmond, will require seed capital to get off the ground.

CASE STUDY

UCSF SANDLER NEUROSCIENCES CENTER

Project...........Sandler Neurosciences Center
Location ....San Francisco, CA
Leaser ....Campus Facilities Improvement Association
Lessee...........University of California, San Francisco
Financing ......Tax-exempt and taxable revenue bonds
Cost ....$200 million[i]

The development of the UCSF Sandler Neurosciences Center was completed through a modified public-private partnership model that inserted a non-profit entity to access unique financing. While this project did not use a Community Development Entity (CDE) specifically, it can serve as a model for the type of costs the Richmond project will entail, as well as the quality professionals who should be involved in the CDE model.

Photo by Jason Bardi / Source: www.ucsf.edu/news/2012/05/12066/ucsf-receives-transformative-gift-neuroscience-research-and-care-sandler

PROJECT DESCRIPTION

Located in San Francisco, the University of California, San Francisco (UCSF) Sandler Neurosciences Center offers a comparable recent construction due to its facilities and geographic proximity to Richmond. Completed in 2012, the 237,000 square-foot, five-story Sandler Neuroscience Center houses several of the world's leading neuroscience research programs, with approximately 100 principal investigators, and more than 500 additional researchers and staff.[ii] The state-of-the-art center includes wet and dry laboratories, an imaging center, and an auditorium. The facility is also LEED® Gold certified and is a benchmark project for Labs21, a federal program recognizing sustainable laboratory design.[iii] The Regents of the University of California selected a project team including:

- **Developers:** Edgemoor/McCarthy Cook Partnership (EMCP), a partnership between real estate investment and development firm McCarthy Cook and Edgemoor Real Estate Services, a wholly owned subsidiary of Clark Construction, one of the nation's largest contractors;[iv]
- **Building Architect/Structural Engineer:** Skidmore, Owings & Merrill (SOM), one of the largest and most influential architecture, interior design, engineering, and urban planning firms in the world that has completed more than 10,000 projects across 50-plus countries;[v]

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- **Laboratory Planner:** Research Facility Design, who are also providing services to the Solar Energy Research Center at the Lawrence Berkeley National Laboratory;[vi]
- **Civil Engineer:** BKF, who is also providing engineering and supplemental surveying services for the Lawrence Berkeley National Labs Computation Research and Theory Facility;[vii]
- **Mechanical, Electrical, Plumbing:** Flack + Kurtz, San Francisco
- **Commissioning Agent:** National Air Balance
- **Acoustical:** Wilson, Ihrig & Associates
- **Vibration/EMI:** Field Management Services
- **Wind Engineering:** Cermak Peterka Peterson
- **Geotechnical Engineering:** Treadwell & Rollo
- **Casework/Fume hoods:** Thermo Fisher Scientific[viii]
- **Laboratory Power Engineer:** Michael Wall Engineering[ix]

FINANCE MODEL DESCRIPTION

The Campus Facilities Improvement Association (CFIA), a non-profit 501(c)(3) corporation, was created to access tax-exempt bond financing. Instead of directly ground-leasing the land to the private developer, UCSF leased it to the non-profit, which in turn sub-ground-leased the land to the developer. The developer designed, built, and owns the building for 38 years.[x]

The California Infrastructure and Economic Development Bank, or I-Bank, acted as a conduit issuer[xi] and sold tax-exempt revenue bonds totaling $19.7 million and taxable revenue bonds totaling $188 million for construction to the non-profit corporation. The taxable revenue bonds are Build America Bonds (BABS), a federal program under which a cash subsidy from the United States Treasury is expected equal to 35 percent of the interest payable on the bonds.[xii] The project also attracted a generous private gift from the Sandler Foundation.[xiii]

BABs do not require community development investments. The “public benefits” CFIA has listed are jobs (not specifically for disadvantaged or low-income residents) and LEED certification. The project’s non-profit entity was not mission-driven to serve the low-income community, as is recommended for the Berkeley Global Campus. Nonetheless, the UCSF case demonstrates that a non-profit entity can be built into the development finance structure of a comparable university facility. If the CDE model were to be used for the Berkeley Global Campus, representatives of the community would be placed on the governing board, ensuring that policies are applied and investments made that benefit Richmond’s low-income communities.

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xii. ‘2011 Annual Report.’ 2011. University of California San Francisco. http://controller.ucsf.edu/fin_state- ments/files/2011CampusRpt.pdf.
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- **Estimate:** $300,000–$400,000
- **Type:** Grant (potentially recoverable) If the CDE wins the bid in Stage III, then the grant could potentially be repaid by first financing closing on the first facility to be built
- **Timing:** Required Immediately (within 60–90 days of finalizing team)
- **Budget description:** Establish the CDE hire necessary for the team to execute the agreement, provide initial payment to team, and prepare plan/proposal for RFP (prepare budgeting, computer-generated models, contract, etc.)

INITIAL DEVELOPMENT FUNDING FOR SOFT COSTS

- **Purpose:** After securing the bid, an investment is needed to provide the initial funding for specific soft costs associated with the development.
- **Estimate:** $3–$4 million
- **Type:** Loan Investment will be recovered and paid back
- **Timing:** Stage III; Immediately if the CDE wins the bid
- **Budget description:** The initial soft costs for the Berkeley Global Campus will likely be comparable to those generated in the development of UC San Francisco's neuroscience research facility.

CONCLUSION

THE FINANCING OF THE BERKELEY GLOBAL CAMPUS is a rare opportunity to generate much needed revenue to invest in the Richmond community. As a leading public educational institution, UC Berkeley is uniquely situated to implement a finance and development model that has public benefits and community inclusion built into its structure. The limits on the UC system's ability to secure financing directly to develop the campus has lead it to a public-private partnership model in which private financing and a private developer will be used. In its conventional form, this model is not likely to generate significant community benefits or local reinvestment. However, the insertion of a Community Development Entity (CDE) into the campus finance structure could generate substantial new resources at a scale that would make addressing persistent challenges in Richmond a real possibility.

As a mission-driven finance model committed to serving the needs of low-income communities, a CDE provides a vehicle for achieving the greatest impact on inclusive community economic development. The CDE is governed by a board that has the technical capacity to manage the development project, and community representatives to manage appropriate funding of community projects. Like a conventional developer, the CDE contracts with third party professionals to carry out the architectural, engineering, and other components of campus development projects. However, with a CDE the profits from the projects are reinvested in the community, rather than delivered to a corporate firm's shareholders or owners.

How much investment the community would receive through the CDE would depend on the total costs of the project. If the CDE model is utilized, the Global Campus presents a unique opportunity to bring a scale of investments to Richmond's low-income communities that would otherwise be unachievable.

Without this approach, the campus development could result in far less significant benefits, or worse yet, an island of opportunity that is cut off from Richmond and perpetuates the inequality and lack of opportunity that many residents face. The CDE model would provide unparalleled community investment to Richmond's low-income residents and communities of color that would address historic economic inequalities and set the foundation for the long-term economic stability and growth of those marginalized communities and the city as a whole.

The potential of this project extends beyond Richmond: the Berkeley Global Campus could serve as a leading model for how anchor developments can be best structured in order to benefit all members of a community, expanding opportunity that supports a healthy and fully inclusive region.■

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