



Office of the City Manager

CONSENT CALENDAR
July 11, 2023

To: Honorable Mayor and Members of the City Council
From: Dee Williams-Ridley, City Manager
Submitted by: Lisa Warhuus, Director, Health, Housing, and Community Services
Subject: Contract: Strategic Economics and Street Level Advisors for Affordable Housing Requirements Economic Feasibility Analysis

RECOMMENDATION

Adopt a Resolution authorizing the City Manager or her designee to execute a contract and any amendments with Strategic Economics as a Contractor and Street Level Advisors as a subcontractor, to conduct an Economic Feasibility Analysis of the Affordable Housing Requirements for the Department of Health, Housing, and Community Services (HHCS) from July 15, 2023 to July 15, 2024 in an amount not to exceed \$150,000.

FISCAL IMPACTS OF RECOMMENDATION

The term of this contract is from July 15, 2023 to July 15, 2024. Funding in the amount of \$150,000 for the Affordable Housing Requirements Economic Feasibility Analysis contract is available in the Fiscal Year 24 Budget in the General Fund (ERMA Fund 011).

CURRENT SITUATION AND ITS EFFECTS

The City of Berkeley adopted revised Affordable Housing Requirements (AHR) (Berkeley Municipal Code Chapter 23.328) for new housing development projects on February 28, 2023. The ordinance went into effect on April 1, 2023. The revisions transition the City's affordable housing requirements from an affordable housing mitigation fee to an inclusionary housing requirement with an option to pay a fee in-lieu of the onsite provision of affordable housing. All in-lieu fees are deposited into the City's Housing Trust Fund program. City Council directed staff to conduct an economic feasibility analysis related to the new AHR.

In addition, the City's condominium conversion regulations (Berkeley Municipal Code Chapter 21.28) established an affordable housing mitigation fee to mitigate the impact of removing rental housing from the local market. The City is seeking updated analysis to consider changes to the program's affordable housing requirements.

Staff issued Request for Proposals (RFP) Specification No. 23-11571-C on March 21, 2023. The RFP closed on April 18, 2023. The City received two responses. The selection committee included staff from HHCS' Housing and Community Services Division (HHCS/HCS) and the Department of Planning and Development.

BACKGROUND

State law requires the City offer alternative options for AHR compliance. Since 2015, the AHR has generated approximately \$38 million for the Housing Trust Fund Program to support the new construction and rehabilitation of affordable housing.

The economic feasibility analysis will quantify how the revised AHR will impact the feasibility of new residential development. HHCS/HCS is also seeking analysis on the condominium conversion requirements to supplement the City's updated AHR analysis. The analysis resulting from this contract will inform the City Council in light of evolving market conditions. The analysis will meet the specified criteria in the State's guidance on AB1505 and other best practices.

The analysis will also consider the financial impacts of the new health care and apprenticeship requirements (Berkeley Municipal Chapter Code 13.07) on the feasibility of residential development.

The feasibility analysis will be used to verify the feasibility of the current in-lieu fee and/or determine new fee amounts for the AHR, including fees for smaller projects, and condominium conversion projects. Staff and the consultant will use the feasibility analysis to develop policy option recommendations for Council's consideration.

ENVIRONMENTAL SUSTAINABILITY AND CLIMATE IMPACTS

There are no environmental impacts related to this contract.

RATIONALE FOR RECOMMENDATION

The City conducted a competitive bid process. The Strategic Economics/Street Level Advisors application successfully met the bid requirements and ranked highest among all bidders.

ALTERNATIVE ACTIONS CONSIDERED

The City also received a very competitive application from Century Urban. Reviewers found Strategic Economics/Street Level Advisors better demonstrated a strategy for analyzing Berkeley's housing market, including missing middle project sizes and ownership structures requested by Council. Therefore, contracting with Century Urban for this project is not recommended.

CONTACT PERSON

Mike Uberti, Senior Community Development Project Coordinator, HHCS, (510) 981-5424

Contract: Strategic Economics and Street Level Advisors
for Affordable Housing Requirements Economic Feasibility Analysis

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Attachments:
1: Resolution

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

CONTRACT: STRATEGIC ECONOMICS AND STREET LEVEL ADVISORS FOR AFFORDABLE HOUSING REQUIREMENTS ECONOMIC FEASIBILITY ANALYSIS

WHEREAS, the City of Berkeley adopted revised Affordable Housing Requirements (Berkeley Municipal Code Chapter 23.328) for new housing development projects on February 28, 2023.

WHEREAS, the City of Berkeley issued a Request for Proposals (RFP) to obtain professional services to conduct an economic feasibility analysis to support the revised Affordable Housing Requirements and Condominium Conversion ordinance; and

WHEREAS, the City conducted RFP Specification No. 23-11571-C with proposals due no later than April 18, 2023; and

WHEREAS, the City received two proposals in response to this RFP; and

WHEREAS, the City conducted a competitive bid process, and a joint application from Strategic Economics and Street Level Advisors met the bid requirements and ranked highest among all bidders.

NOW THEREFORE, BE IT RESOLVED by the Council of the City of Berkeley that the City Manager or her designee is authorized to execute a contract and any amendments with Strategic Economics as a contractor, and Street Level Advisors as a subcontractor, to provide professional services for Affordable Housing Requirements Economic Feasibility Analysis from July 15, 2023 to July 15, 2024 in an amount not to exceed \$150,000.