



Councilmember Lori Droste
District 8

CONSENT CALENDAR
June 13, 2017

To: Honorable Mayor and the City Council
From: Councilmember Lori Droste
Subject: Economic Feasibility Analysis for New Housing Development

RECOMMENDATION:

Recommend that the City Manager hire an independent third party consultant to conduct an economic feasibility analysis of the City of Berkeley and Berkeley Unified School District current assessed fees on new housing development as well as the feasibility of in-lieu Below Market Rate (BMR) housing requirements. The economic feasibility analysis should recur every 2–2.5 years and/or concurrent with any proposed future increases to fees or in-lieu BMR units, whichever occurs sooner.

To the extent practicable, the Economic Feasibility Analysis should:

- Analyze feasibility both for projects that pay the Affordable Housing Mitigation Fee and for projects that include in-lieu Below Market Rate (BMR) units.
- Analyze feasibility for both rental and owner-occupied housing models.
- Analyze feasibility based on a variety of housing prototypes (low-rise, “missing middle,” midrise, and high rise).
- Analyze feasibility based on a variety of fee levels and in-lieu BMR requirement levels.
- Use data inputs that are as up to date as possible, e.g. land costs, construction costs, soft costs, etc.
- Identify current regional and local trends in housing occupancy and costs of both rental and ownership housing.
- Compare Berkeley’s total per-unit fee levels with those of comparable or neighboring jurisdictions.

The Study should be completed and reported back to the City Council by November of 2017.

BACKGROUND

The Bay Area is undergoing an unprecedented housing crisis. The City of Berkeley wants to ensure that we are receiving an appropriate amount of fees to fund essential City services and Below Market Rate (BMR) housing while simultaneously verifying financial feasibility so housing development is economically viable in our community. It is imperative that the City of Berkeley maximizes revenue while at the same time maintaining financial feasibility for projects.

Currently, the City of Berkeley requires a nexus a study every five years (2015/2020/2025). In between that five year gap, the City should conduct an economic feasibility analysis every 2 years (2017/2022/2027) and/or concurrent with proposed changes in housing fees/requirements. In March of 2015, a nexus study was completed, and the most recent economic feasibility study was based on these 2015 data. An economic feasibility analysis would therefore be appropriate in 2017, in order to offer an update on the two-year old data. Given the time constraints and staff turnover, I am requesting that staff presents the consultant's economic feasibility study to Council in November 2017.

FISCAL IMPACTS

Staff time and the cost of the report.

ENVIRONMENTAL SUSTAINABILITY

None identified for the production of this report.

CONTACT PERSON

Lori Droste (510) 981-7180