



Housing Advisory Commission

ACTION CALENDAR

October 16, 2018

(Continued from May 29, 2018)

To: Honorable Mayor and Members of the City Council
 From: Housing Advisory Commission
 Submitted by: Igor Tregub, Chairperson, Housing Advisory Commission
 Subject: Including a Public Purchase Option in a Small Sites Housing Program

RECOMMENDATION

Direct the City Manager as follows concerning the implementation of a Small Sites Program in Berkeley:

1. Ensure that the City of Berkeley has the legal option to directly purchase properties under the Small Sites Program.
2. Ensure that any corporation designated by the City and in which the City maintains a majority (controlling) ownership may directly purchase properties under the Small Sites Program, even if that corporation is for-profit (e.g. a California B corporation).

In implementing recommendation (2), do not weaken the qualification requirements for non-profit corporations which are not majority-owned or majority-controlled by the City. Additionally, purchases made by the City itself or a corporation controlled by the City should *not* be constrained with respect to future rental prices.

FISCAL IMPACTS OF RECOMMENDATION

Staff time.

BACKGROUND

The Housing Advisory Commission took the following action at its March 1, 2018 meeting:

Discussion and Possible Recommendation on the Small Sites Program

Action: M/S/C (Johnson/Lord) to adopt the proposed recommendations with amendments as dictated by the Commission.

Vote: Ayes: Amezcua, Johnson, Lord, Owens, and Wright. Noes: Wolfe. Abstain: Kesarwani. Absent: Lewis (excused), Tregub (excused).

On February 14, 2017 the City Council referred implementation of a Small Sites Program to the City Manager. On November 28, 2017, the Small Sites Program was assigned the highest priority among all affordable housing policy projects.

While the draft details of Berkeley's program remain to be seen, the model that inspired Berkeley's gives tenants a first right of refusal to purchase an apartment that they live in. Tenants may transfer the right to a non-profit organization that is dedicated to preserving the property as affordable housing.

RATIONALE FOR RECOMMENDATION

Ensuring that the City itself, or a City-controlled corporate entity is eligible to purchase Small Sites is a legally trivial addition to any imaginable program. Thus the costs to the City should be negligible.

The potential benefits of consolidating Small Site ownership in this way are large. Consolidation of ownership:

- Allows for consolidation of property management, thus giving rise to scale-based cost savings by eliminating redundant expenditures such as on accounting and legal services, purchases of materials needed for routine maintenance and repairs, and day-to-day building management (including advertising available units and qualifying and accepting tenants).
- Allows for cross-subsidies between properties. If one small site currently houses moderate or above-moderate tenants, it may generate a significant net income. It is potentially of great benefit for Berkeley's affordable housing goals to transfer some of that net income to properties occupied by low or very low income tenants -- properties that may need subsidy. Consolidated ownership under the City of Berkeley allows such cross-subsidy to occur in tax-efficient ways.
- Allows for the development of a Berkeley land bank and flexible pool of housing which can adapt to changing economic needs, adding to Berkeley's strength in the face of changing conditions.

Lastly, making sure that the Small Sites Program *allows* the City to acquire these properties does not *require* the City to buy them and does not prevent private non-profits from buying them. Nothing in this proposal detracts from the originally stated goals of the program, but new possibilities are opened up by adopting this proposal.

ENVIRONMENTAL SUSTAINABILITY

There is no environmental impact associated with the recommendations of this report.

ALTERNATIVE ACTIONS CONSIDERED

None.

CITY MANAGER

The City Manager takes no position on the content and recommendations of the Commission's Report.

Staff are researching and developing recommendations for Council on a small sites housing acquisition program and a "Tenant Opportunity to Purchase" ordinance per Council direction on November 28, 2017.

CONTACT PERSON

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