



LINDA MAIO
COUNCILMEMBER

CONSENT CALENDAR

November 27, 2018

TO: Honorable Mayor and Members of the City Council

FROM: Councilmembers Maio, Droste, Harrison, and Hahn

SUBJECT: Encouraging Long-Term Tenant Stability

RECOMMENDATION

Refer to the City Manager to amend BMC 21.28.080 as pertains to the Affordable Housing Mitigation fee as follows:

If a property contains three or more units, the affordable housing mitigation fee for a unit that is occupied by an owner as his or her principal place of residence for at least 5 consecutive years immediately prior to the date of sale, including as a tenant in that unit immediately prior to ownership, shall be reduced by 50 percent, but only if the owner owned and resided in the unit as of June 30, 2010 or has resided as a tenant and has achieved ownership during the previous 5 years.

BACKGROUND

Occasionally, existing long term tenants occupying a multi-unit property have the opportunity to purchase their homes from a willing owner. This situation provides the tenants, often who are low income, with the opportunity to remain in secure housing in their community and avoid displacement and dislocation. One such situation has come to our attention where the purchase was barely possible given income levels. It was, in this market, just short of a miracle. Now these families, who are currently TIC owners, need to convert to individual ownership and are facing prohibitive fees.

Current Situation and Its Effects

The City currently has 2 formulas for determining the Affordable Housing Mitigation Fee (AHMF) for converting rental units to condominiums. The original formula was so prohibitively expensive that it made conversion nearly impossible as witnessed by the tiny number of conversions under that fee. Recognizing that, a second option was adopted by the Council in 2009. It provided under certain conditions a cap on the mitigation fees for 2 unit properties of 4% of the appraised value or sale price and a cap of 8% on three units and greater.

Additionally there is a discount of 50% of the fee but only if the owner both owned the unit and resided in the unit as of June 30, 2010 . Note, it stipulates "owner" and not "tenant" or "resident." This situation can be remedied by giving long-term tenancy standing.

Current BMC 21.28.080 reads:

If the property contains three or more units, the affordable housing mitigation fee for a unit that is occupied by an owner as his or her principal place of residence for at least 5 consecutive years immediately prior to the date of sale, including as a tenant in that unit immediately prior to ownership, shall be reduced by 50 percent, but only if the owner owned and resided in the unit as of June 30, 2010.

This wording essentially places an onerous fee on tenant/owners. A unit that is valued at \$500,000 will have a AHMT of \$40,000. Because it is likely that a tenant/owner will have to borrow these funds, the cost of ownership will go up by almost \$2000 annually. The further we get from June 30, 2010 the more unlikely it becomes that tenants can meet both ownership and tenancy requirements to receive the discount.

It is proposed to amend BMC 21.28.080 as follows:

If the property contains three or more units, the affordable housing mitigation fee for a unit that is and has been occupied by an owner as his or her principal place of residence for at least 5 consecutive years immediately prior to the date of conversion or sale, including as a tenant in that unit immediately prior to ownership, shall be reduced by 50 percent.

ENVIRONMENTAL SUSTAINABILITY

None.

FINANCIAL IMPLICATIONS

None.

CONTACT

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