

LINDA MAIO

COUNCILMEMBER



CONSENT CALENDAR

Novem

TO: Honorable Mayor and Members of the City Council

FROM: Council Members Maio, Droste, Harrison, and Hahn

SUBJECT: Encouraging Long-Term Tenant Stability

RECOMMENDATION

Facilitate the ability of long-term tenants to purchase their residence by referring Refer to the City Manager to amend BMC 21.28.080 as it as pertains to the Affordable Housing Mitigation fee as follows:

*If the property contains **4 units or fewer** ~~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.*

~~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 often 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. A reconsideration of these fees, in these limited circumstances, could help stabilize our community by creating ownership opportunities for long-term tenants. Additional background on such circumstances was provided to the Council and is attached to this item.

Current Situation and Its Effects

The City currently has ~~2~~ two 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 this burden ~~that~~, a second option was adopted by the Council in 2009. It provided, under

certain conditions, a cap on the mitigation fees for two-unit properties **of 4%** of the appraised value or sale price, and a cap of 8% on three or more units ~~and greater~~.

Additionally, in the case where 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, the fee may be discounted by 50%.

Note, this discount ~~it stipulates~~ is currently stipulated to be available only to the "owner" and not "tenant" or "resident." This situation can be remedied by this proposal, which gives standing to 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 AHMTF 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 \$2,000 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. This places a burden particularly on lower income tenants, and makes it less likely for them to be able to purchase their homes.

To remedy this burden, it is proposed to amend BMC 21.28.080 as follows:

If the property contains 4 units or fewer ~~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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