




**Berkeley Housing Authority**

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*Office of the Executive Director*

Item 7A  
NEW BUSINESS  
May 11, 2017

TO: Honorable Chairperson and  
Members of the Berkeley Housing Authority Board

FROM: William E. Wilkins, Executive Director 

SUBJECT: Monthly Report

**STATUS OF PROPOSALS/PROJECTS WITH CITY OF BERKELEY:**

This information is intended to keep you apprised of the status of various projects/proposals that have been discussed with the City of Berkeley and are awaiting action(s):

- **\$10 per voucher to BHA for a period of 3 years, and \$50,000 for establishment of Damage Claim and Landlord Incentive Program:**
  - The Mayor moved those items into the budget referral process along with the other items from the 3X3 Meeting that did not have a price tag. They will be considered along with other requests and will be voted on June 27<sup>th</sup>.
- Measure U1 – meetings with the City of Berkeley’s Revenue Collection Manager in Finance, who is taking the lead on implementing Measure U1 (permanently increased the gross tax receipts on owners of five or more residential rental units from 1.081% to 2.880%).

The measure allows for certain exemptions, the tax would not apply to units:

- whose rents are controlled under state or federal law, deed restrictions, etc.
- subject to rent control that are occupied by a tenant who resided in that unit prior to 1/1/99
- occupied by tenants receiving monthly rental assistance (such as Section 8 vouchers or Shelter + Care) from BHA or City of Berkeley

Purpose of the meetings:

- Identify stakeholders
- Create a plan for outreach efforts
- Discuss best approaches to administer U1
- Discuss the exemption process

## Measure U1

### GENERAL QUESTIONS BEING DEVELOPED FOR PUBLIC DISCUSSION:

#### 1. **What is Measure U1? And how does it impact me?**

On November 8, 2016, Berkeley voters passed Measure U1 to permanently increase the business license tax from gross receipts, on owners of five or more residential rental units from 1.081% to 2.880%. The tax increase is expected to raise \$3,450,000 annually. Tax proceeds will be placed in the City's general fund and can be used for any governmental purpose. Owners subject to this tax will require a Berkeley business license.

Owners of five or more residential rental units include persons with indirect interest in five or more units such as through LLCs or partnerships.

#### 2. **What is a residential rental unit?**

A residential rental unit is a dwelling unit that is rented out for residential purposes. Per Berkeley Municipal Code Title 23F, a dwelling unit is a "building or portion of a building designed for, or occupied exclusively by, persons living as one (1) household.

#### 3. **Are there any exemptions to Measure U1?**

Yes. The tax increase will not apply to the following:

- Units owned by a nonprofit corporation whose primary purpose is the provision of affordable housing;
- Units whose rents are controlled under state or federal law, deed restrictions, or agreements with public agencies, at rental rates that are affordable to households earning no more than 80% of AMI and whose tenants must be income-qualified;
- Units subject to rental control that are occupied by a tenant who resided in that unit prior to January 1, 1999; and
- **Units occupied by tenants receiving monthly rental assistance (such as Section 8 vouchers or Shelter + Care) from the Berkeley Housing Authority or City of Berkeley.**

In addition, all new units are exempt from the increased tax for the first 12 years after the issuance of a certificate of occupancy.

Property owners may seek a one-year hardship exemption due to exceptional circumstances, which may be approved by the City Manager for good cause.

**4. When does Measure U1 go into effect?**

Measure U1 began on January 1, 2017, but the City Council has delayed its implementation until January 1, 2018.

Business license taxes are typically based on a calendar year's gross receipts from the previous year. As such, collection for gross receipts earned from January 1, 2017 to December 31, 2017, will be collected beginning January 1, 2018.

**5. Will tenants be affected by Measure U1?**

No. The measure prohibits landlords from passing the tax to sitting tenants, even if otherwise permitted by law.

**6. What is a business license?**

The Berkeley Municipal Code (BMC) requires that you obtain a license to conduct business within Berkeley's city limits, even if your physical office is located outside of the city's limits. Licenses are issued without verification that the license is subject to an exemption from licensing by the State. A business license is proof that the business license tax has been paid, and does not by itself authorize the conduct or continuance of any business, nor does it avoid the need to obtain any required Zoning or Building Permits, and Toxic Code requirements.

**7. Do I need a business license?**

Anyone who conducts business within the Berkeley city limits must obtain a business license. However, this does not include the services rendered by an employee to his or her employer or a casual or isolated transaction.

For more information, please see Chapter 9.04 of the Berkeley Municipal Code.

**8. Previously, a business license tax was required when three or more rental units were on one parcel. Is that still true?**

Yes. The 1.081% business license tax on the rental of real property (except five or more dwelling units) still applies. However if a person owns five or more dwelling units, the enhanced 2.88% tax will apply.

**9. Are single family homes and duplexes subject to the business license tax?**

Yes. Berkeley Municipal Code Section 9.04.196 refers to dwelling units regardless of housing type. If an owner has a direct or indirect interest in five or more rental units, they will be subject to the enhanced tax.

**10. Prior to Measure U1, single family homes and duplexes were not subject to any business license tax. If an owner rents out a triplex and a duplex, what will be the applicable tax rate?**

A property owner who rents out five units for residential purposes is subject to the enhanced tax rate in Measure U1.

**11. What if I sold property during the year and I no longer own five or more residential rental units?**

You will have to pay the enhanced business license tax for the period in 2017 during which you owned five or more residential rental units.

**12. What if I did not own five residential rental units until December of a given year, am I still subject to Measure U1?**

Yes, you will have to pay the enhanced business license tax for the period which you owned five or more residential rental units.

**13. If I register my properties under different business names, can I get around Measure U1?**

No. Owners of five or more residential rental units include persons with indirect interest in five or more units such as through LLCs or partnerships. In such cases, your share of the taxes would be apportioned with other owners based on your share of ownership.

#### OWNERSHIP SCENARIOS

**1. There are two equal owners of a triplex and a five-unit building. If you divide the total number of units (eight) by the two equal owners, each owns four units. Is each owner subject to the enhanced business license tax?**

Yes, each person engaged, directly or indirectly, in the rental of five or more units. As such, each is subject to the enhanced business license tax on the taxable gross receipts from four units.

**2. A legal entity (such as an LLC or corporation) has three equal partners. In total, they own four triplexes. Mathematically, each owner owns the equivalent to four rental units. Are they still subject to enhanced business license tax?**

Yes. The entity is engaged in the rental of five or more units and is subject to the tax. The entity would be liable for the tax on the taxable gross receipts from all twelve units.

**3. Two equal partners own an eight-unit building. One partner also individually owns a triplex. Are both owners subject to the enhanced business license tax?**

Both partners are subject to the enhanced business license tax on one-half the taxable gross receipts from the eight-unit building. The partner who also owns a triplex will have to pay the enhanced tax on the taxable gross receipts from both properties.

**4. I rent a single family home, a duplex, and a triplex. I have never had to pay a business tax on the single family home or duplex. Am I subject to Measure U1?**

Yes, because you own five or more residential rental units.

**5. An owner rents only condominiums and single family residences. Is that owner subject to the enhanced tax?**

Yes, if a person owns a total of five or more residential rental units. No, if the person owns less than five residential rental units.

**6. What if I own three sets of duplexes, each on a different parcel?**

You are subject to the enhanced Measure U1 tax because you have an ownership interest in five or more rental properties.

**7. What if I own three sets of duplexes, each on a different parcel, but my relatives live in three units?**

If you charge your relatives rent, you will be subject to the enhanced Measure U1 tax because you rent own 5 or more residential units. If you do not charge them rent, you will not be subject to the enhanced Measure U1 tax, because you rent fewer than five residential units.

**I own three sets of duplexes, I live in one unit, and two are subject to Section 8. Does Measure U1 apply to me?**

Yes, because you still have ownership in five or more residential rental units. The current business license tax (three units or more per parcel) will apply to your five residential rental units, but the enhanced Measure U1 tax will apply only to gross receipts from your non-Section 8 residential rental units.

**8. I own and rent out a triplex and a single family residence. Am I subject to the enhanced business license tax?**

No. However, you will still pay the 1.081% business license tax on your triplex.

# Pam Patenaude Named Deputy HUD Secretary

President Trump has named Pam Patenaude to become Deputy Secretary of Housing and Urban Development (HUD).



Patenaude is president of the J. Ronald Terwilliger Foundation for America's Families. She was formerly an Assistant Secretary for Community, Planning and Development at HUD during George W. Bush's presidency, later becoming director of housing policy at the Bipartisan Policy Center's Housing Commission. Last fall, Patenaude was touted as a potential HUD secretary in the Trump Administration, but was passed over in favor of retired neurosurgeon Dr. Ben Carson.

"Pam's extensive knowledge of housing issues and dedicated service to this Department under two previous administrations makes her an exceptional choice for the position of Deputy Secretary," said Carson. "She will bring a wealth of experience and steady leadership to HUD in her new role as the Department's chief operating officer. I look forward to working with her to achieve more efficient and effective housing policies that create jobs, strengthen communities, and ensure safe, affordable housing for all Americans."

"Pam is an ideal candidate for the position; she understands the issues that impact the industry and our Realtor members, and we look forward to continuing our work together with HUD and Pam upon her confirmation to ensure that owning a home remains accessible and affordable so that more individuals can realize their dream of homeownership," said National Association of Realtors (NAR) President William E. Brown. "We encourage the Senate to move quickly and confirm her nomination."

David H. Stevens, president and CEO of the Mortgage Bankers Association, congratulated Patenaude on her appointment.

“Pam is an exceptional choice for the position,” Stevens said in a statement. “Personally, I have worked with her for a number of years and she is exactly the kind of leader who will help support the secretary and also address the critical issues ahead for HUD. She has a well-informed understanding of the agency, and essential technical knowledge of the real-estate finance industry. I would encourage the Senate to move swiftly in confirming her nomination.”

**BERKELEY HOUSING AUTHORITY**  
**HOUSING CHOICE VOUCHER PARTICIPANT DATA**

1	Number of head of households identified as working	509
	- <i>Earning wages</i>	427
	- <i>Own business</i>	82
	- <i>Both</i>	20
2	Number of head of households that are elderly –	678
3	Number of head of households that are disabled (not elderly)	404
4	Number of households that are one of the above, but have no income (elderly no income, disabled no income, etc.)	7
	- <i>Elderly, \$0 income</i>	4
	- <i>Disabled, \$0 income</i>	3
5	Number of studios/ zero bedrooms under contract	144
6	Number of 1 bedrooms under contract	810
7	Number of 2 bedrooms under contract	564
8	Number of 3 bedrooms under contract	151
9	Number of 4-5 bedrooms under contract (1- BR unit)	32
10	Landlords	518
	<i>Small (0-9 units)</i>	492
	<i>Medium (10-49 units)</i>	23
	<i>Large (&gt; 50 units)</i>	3
11	Number of landlords currently receiving direct deposits of monthly HAP	460
12	Number of inspections completed during the calendar year of 2016, to include re-inspections	3,161
	<i>Annuals</i>	1832
	<i>No-shows</i>	446
	<i>Reinspections</i>	745
	<i>Initials</i>	138
13	Number of terminations during calendar year 2016 – for any reason	120
	<i>S8</i>	115
	<i>Mod Rehab</i>	5
14	Number of recertifications completed during calendar year 2016	2673



## BHA DASHBOARD REPORT

		Dec-16	Jan-17	Feb-17	Mar-17	Apr-17
<b>A</b>	Utilization (%)	<b>82.80%</b>	<b>82.80%</b>	<b>83.00%</b>	<b>82.89%</b>	<b>83.05%</b>
	(Units)	1602	1601	1607	1604	1607
	Tenant Based %	<b>80.78%</b>	<b>80.53%</b>	<b>80.78%</b>	<b>80.90%</b>	<b>81.29%</b>
	(Units)	1332	1324	1332	1334	1340
	Project Based%	<b>94.41%</b>	<b>95.45%</b>	<b>96.15%</b>	<b>94.41%</b>	<b>93.36%</b>
	(Units)	270/286	273/286	275/286	270/286	267/286
<b>B</b>	Utilization (\$)	<b>105.16%</b>	<b>114.15%</b>	<b>116.67%</b>	<b>115.01%</b>	<b>121.91%</b>
		2,095,401	2,129,396	2,176,416	2,145,521	2,274,301
<b>C</b>	Mod Rehab %	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>98.98%</b>
	(Units)	98/98	98/98	98/98	98/98	97/98
<b>D</b>	Project Move Up	1/9	4/9	5/9	6/10	9/10
<b>E</b>	FSS	27 (10 pending)	27 (10 pending)	27 (10 pending)	37 (9 enrolled, 17 pending, 11 dropped out)	37 (12 enrolled, 15 pending, 15 dropped out).
<b>F</b>	Port In	5	0	3	2	1
	Port Outs	5	2	3	5	1
<b>H</b>	Late/Missing Annual Recert	1		8	6	5
<b>I</b>	Late HQS	0	0	0	1	0
<b>J</b>	Rent Increases - Received	88	106	8	22	12
	Rent Increases - Processed	33	22	45	29	19
<b>K</b>	Re-exams - Processed	201	196	145	234	240
<b>L</b>	New Landlords/Unit	0	0	10	2	1
<b>M</b>	New Vouchers Issued	0	9	9	19	0
<b>N</b>	Participants - Searching	28	34	35	45	44
<b>O</b>	New Admissions	10	6	6	6	7
<b>P</b>	Terminations	6	8	6	3	4
<b>Q</b>	# of disabled in program	1041	937	931	932	936
	# of elderly in program	744	674	673	674	678
	# of families in program	582	507	503	511	508
	# of eman. yth in prog	5	5	4	5	5
	# of HOPWA in program	7	7	7	7	7
<b>R</b>	# of Families on WL	3396	3386	3354	3328	3327
<b>S</b>	Success Rate		11%	16%	21%	23%