



Office of the Mayor

CONSENT CALENDAR
July 25, 2017

To: Honorable Members of the City Council

From: Mayor Jesse Arreguín, Councilmember Kate Harrison, Councilmember Sophie Hahn, and Councilmember Ben Bartlett

Subject: Land Value Recapture Policy and Inclusion in the Adeline Corridor Plan

RECOMMENDATIONS

1. Adopt a Resolution establishing a policy requiring that land value recapture is included in the preparation and implementation of all area plans. Doing so will result in revenue to fund community benefits, such as affordable housing.
2. Refer to the City Manager and Planning Department the inclusion of the following in the Adeline Corridor planning process:
 - a. Conduct a residual land value analysis to determine land value increases and appropriate possible exactions.
 - b. Notify residents, land owners and developers that land value recapture will be part of the Plan implementation.

BACKGROUND

Land values in the City of Berkeley have increased dramatically in recent years due to economic growth of the region, public investments, and governmental changes to plans or zoning. Since this combination of conditions has resulted in record property values for owners, cities have begun to consider recapturing some of the increases of revenue to benefit the greater community, such as to fund affordable housing initiatives. This was the main argument behind Measure U1, which was passed overwhelmingly by 75% of Berkeley voters.

To develop an economically feasible land value capture policy, it is necessary to identify the land value increase, which can be done by conducting a “Residual Land Value Analysis”, as well as any change in the value of a project after an alteration of plans or zoning allow for greater densities and/or heights. Part of that value increase could be recaptured either through negotiation on a project-by-project basis, as is the case in Downtown Berkeley, or by planning area, as could be the case for the Adeline Corridor Plan.

One example of what could be called a “Plan-Based Value Capture,” is the Eastern Neighborhood Plan in San Francisco. Benefits to land owners and developers included land use changes from industrial to mixed use or residential, height increases, and other benefits. An economic consultant calculated the value of these benefits and the city adopted community benefit levels that would not discourage development. To reflect the

relationship between higher densities and increased value for land and development, the city established a tiered approach to baseline and public benefit fees. To fulfill the goal of increased affordable housing production in the Eastern Neighborhoods, the plan also requires more affordable housing than is mandated under the city's inclusionary program.

Area plans should also account for the fact that the value of land increases not only when a plan is approved, but also when a planning process is announced and undertaken, based on the expectation that the plan will increase land values. Consequently, the sooner the increase in regulatory costs is announced, the greater the time for the land markets to adjust. Since it can be expected that other areas in Berkeley with development potential – such as the San Pablo Corridor - will be planned in the future, we should adopt a policy that states the intention of the city to engage in land value recapture when preparing area wide plans.

FINANCIAL IMPLICATIONS

Staff time. Revenue raised from land value recapture can provide funding for affordable housing and other community benefits.

ENVIRONMENTAL SUSTAINABILITY

Revenue from land value recapture that is invested in local affordable housing initiatives can reduce vehicle miles traveled and in turn greenhouse gas emissions – transportation is our largest contributor - by increasing housing opportunities where people work and go to school.

CONTACT PERSON

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Attachments:

1. Resolution

RESOLUTION NO. ##,###-N.S.

ESTABLISHING LAND VALUE RECAPTURE POLICY

WHEREAS, land values in the City of Berkeley have increased dramatically in recent years due to economic growth of the region, public investments, and governmental changes to plans or zoning; and

WHEREAS, Measure U1 was created under the premise that an increase in property value should be recaptured back to the community through the funding of affordable housing; and

WHEREAS, other cities have created land value recapture policies such as with the Eastern Neighborhood Plan in San Francisco; and

WHEREAS, under the Eastern Neighborhood Plan, which converted industrial zoning to residential and increased height limits, an economic consultant was brought on to calculate the value of the benefits that would not discourage development, and required more inclusionary housing than the citywide mandate; and

WHEREAS, the proposed Adeline Corridor Plan is an example of how zoning changes can lead to an increase in land value; and

WHEREAS, given the prospect of other areas in the City for new development, such as the San Pablo Corridor, it is necessary for such plans to have a land value recapture policy in order to effectively provide community benefits and promote the creation of affordable housing along these transit corridors.

NOW THEREFORE, BE IT RESOLVED by the Council of the City of Berkeley that it hereby establishes a policy requiring that land value recapture is included in the preparation and implementation of all area plans.

