



Housing Advisory Commission

## HOUSING ADVISORY COMMISSION

# AGENDA

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### Regular Meeting

Thursday, April 5, 2018  
7:00 pm

### South Berkeley Senior Center

2939 Ellis Street  
Secretary Amy Davidson  
[HAC@cityofberkeley.info](mailto:HAC@cityofberkeley.info)

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### All agenda items are for discussion and possible action.

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**Public comment policy:** Members of the public may speak on any items on the Agenda and items not on the Agenda during the initial Public Comment period. Members of the public may also comment on any item listed on the agenda as the item is taken up. Members of the public may not speak more than once on any given item. The Chair may limit public comments to 3 minutes or less.

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1. Roll Call
2. Agenda Approval
3. Public Comment
4. Approval of the March 1, 2018 Regular Meeting Minutes (*Attachment 1*)
5. **Discussion and Possible Action on HAC Officer Elections Procedures and Commission Governance – All**
6. **Review and Discussion on HAC’s Meeting Process Guidelines – All (*Attachment 2*)**
7. **Discussion and Possible Action on ADU Subcommittee Recommendations for an Accessory Dwelling Unit Pilot Program to House Low-Income Households (*Attachment 3*)**
8. **Subcommittee Updates**
  - a. Measure U1 – *Igor Tregub (Attachment 4)*
  - b. Moderate Income Housing – *Thomas Lord (Attachment 5)*
  - c. Student Housing – *Matthew Lewis*
9. **Update on Council Items (Future Dates Subject to Change) – All/Staff**
  - a. BRIDGE’s Berkeley Way Development: Funding and Public Parking Requirements (March 13, 2018) (*Attachment 6*)
  - b. Housing Advisory Commission’s U1 Recommendations (March 27, 2018 continued from February 27, 2018)  
[https://www.cityofberkeley.info/Clerk/City\\_Council/2018/03\\_Mar/Documents/2018-03-27\\_Item\\_20\\_Housing\\_Advisory\\_Commission%E2%80%99s\\_U1.aspx](https://www.cityofberkeley.info/Clerk/City_Council/2018/03_Mar/Documents/2018-03-27_Item_20_Housing_Advisory_Commission%E2%80%99s_U1.aspx)
  - c. Refer the Housing Advisory Commissions Questions on the Smoke-Free Residential Housing Ordinance to Staff and Berkeley Considers (April 24, 2018)
  - d. Referral to Develop Comprehensive Plan for Disaster Preparedness and Post-Disaster Rebuilding with Respect to Multi-Family Housing (April 24, 2018)

- e. Direct the City Manager to issue a Request for Qualifications (RFQ) to establish a two-year Home Share Pilot Program that could be expanded into a permanent housing program in the City of Berkeley (May 15, 2018)
- f. Including a Public Purchase Option in a Small Sites Housing Program (May 15, 2018)

#### 10. Announcements/Information Items

- a. UC Berkeley Chancellor's Community Partnership Fund Home Share Program
- b. Measure U1 Revenue Collection
- c. 1900 Fourth Street Development/SB35  
[https://www.cityofberkeley.info/Planning\\_and\\_Development/Zoning\\_Adjustment\\_Board/1900\\_Fourth.aspx](https://www.cityofberkeley.info/Planning_and_Development/Zoning_Adjustment_Board/1900_Fourth.aspx)  
<http://www.berkeleyside.com/2018/03/08/developer-invokes-new-state-law-force-berkeley-approve-260-unit-fourth-street>

#### 11. Future Items

- a. FY 2018/2019 Community Agency Funding Request for Proposal (May)
- b. Discuss Work Plan Process (May)
- c. Develop Work Plan for FY 2018/2019 (June)

#### 12. Adjourn

##### Attachments

1. Draft March 1, 2018 Regular Meeting Minutes
2. HAC's Adopted Meeting Process Guidelines
3. ADU Subcommittee: ADU Pilot Program to House Low-Income Households
4. Berkeley City Council Annotated Agenda Item #20 (March 27, 2018)
5. Lord, Draft Report for the 2017-2018 Moderate Income Housing Subcommittee
6. Berkeley City Council Annotated Agenda Item #31 (March 13, 2018)

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**HOUSING ADVISORY COMMISSION**  
**Regular Meeting**  
**Thursday, March 1, 2018**

Housing Advisory Commission

**Time: 7:01 pm**

**South Berkeley Senior Center**  
**2939 Ellis Street – Berkeley**  
**Secretary – Amy Davidson, (510) 981-5406**

## **DRAFT MINUTES**

### **1. Roll Call**

Present: Luis Amezcua, Xavier Johnson, Rashi Kesarwani (7:07), Thomas Lord, Darrell Owens, Marian Wolfe, and Amir Wright.

Absent: Matthew Lewis (excused) and Igor Tregub (excused)

Commissioners in attendance: 9 of 9

Staff Present: Rhianna Babka, Paul Buddenhagen, Amy Davidson, Steve Grolnic-McClurg, Kristen Lee, Mike Uberti

Members of the public in attendance: 3

Public Speakers: 2

### **2. Agenda Approval**

Action: M/S/C (Johnson/Amezcua) to approve the agenda.

Vote: Ayes: Amezcua, Johnson, Lord, Owens, Wolfe, and Wright. Noes: None. Abstain: None. Absent: Kesarwani (unexcused), Lewis (excused), Tregub (excused).

### **3. Public Comment**

There were no speakers during public comment.

### **4. Approval of the February 1, 2018 Regular Meeting Minutes**

Action: M/S/C (Amezcua/Wright) to approve the minutes with the correction to Item 7 stating Commissioner Lewis made the motion to elect Commissioner Wolfe as vice-chair.

Vote: Ayes: Amezcua, Johnson, Kesarwani, Owens, Wolfe, and Wright. Noes: Lord. Abstain: None. Absent: Lewis (excused), Tregub (excused).

### **5. Discussion and Possible Action on Officer Elections**

Commissioner Lord withdrew this item and asked to move it to the April agenda.

**6. Discussion and Possible Recommendation on Second Substantial Amendment to the Annual Action Plan for PY 2017 (FY 2018) to Add Community Development Block Grant (CDBG) Funding for Public Facility Improvements to the Mental Health Clinic**

Action: M/S/C (Lord/Johnson) to support the City Manager recommendations to the City Council.

Vote: Ayes: Amezcua, Johnson, Kesarwani, Lord, Owens, Wolfe, and Wright.  
Noes: None. Abstain: None. Absent: Lewis (excused), Tregub (excused).

**7. Discussion and Possible Recommendation on the Draft PY 2018 (FY 2019) Annual Action Plan**

Action: M/S/C (Amezcua/Lord) to recommend the Draft PY 2018 (FY 2019) Annual Action Plan to Council for approval.

Vote: Ayes: Amezcua, Johnson, Kesarwani, Lord, Owens, Wolfe, and Wright.  
Noes: None. Abstain: None. Absent: Lewis (excused), Tregub (excused).

**8. Review HAC's Meeting Process Guidelines**

This item was continued to the Housing Advisory Commission's April meeting.

**9. Subcommittee Appointments**

Action: M/S/C (Amezcua/Wright) to appoint Commissioner Johnson as an alternate to the Student Housing subcommittee.

Vote: Ayes: Amezcua, Johnson, Kesarwani, Lord, Owens, Wolfe, and Wright.  
Noes: None. Abstain: None. Absent: Lewis (excused), Tregub (excused).

Commissioners Amezcua, Lewis, Lord, and Tregub were appointed to a subcommittee to review responses to the 1281 University Avenue RFP.

**10. Discussion and Possible Recommendation on a Home Share Pilot Program**

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

Vote: Ayes: Amezcua, Johnson, Kesarwani, Owens, Wolfe, and Wright. Noes: Lord.  
Abstain: None. Absent: Lewis (excused), Tregub (excused).

**11. 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).

**12. Update on Council Items**

**13. Announcements/Information Items**

**14. Future Items**

**15. Adjourn**

Action: M/S/C (Johnson/Wright) to adjourn the meeting at 8:50 pm.

Vote: Ayes: Amezcua, Johnson, Kesarwani, Lord, Owens, Wolfe, and Wright.

Noes: None. Abstain: None. Absent: Lewis (excused), Tregub (excused).

Approved on April 5, 2018

\_\_\_\_\_, Amy Davidson, Secretary



Health Housing and  
Community Services Department  
**Housing & Community Services Division**

## MEMORANDUM

**To:** Housing Advisory Commission

**From:** Amy Davidson, Senior Community Development Project Coordinator

**Date:** March 28, 2018

**Subject:** **Review of Meeting Process Guidelines**

At its March 2018 meeting, the Commission decided to delay discussion of the meeting guidelines until the April meeting when the Chair would be present.

### **Previous HAC Actions on Meeting Process Guidelines**

#### **Adopted by Commission on November 2, 2017**

Demand 3 – Meeting process guidelines

Proposed response action: Schedule check in on the meeting process guidelines in March 2018 to ensure the concerns raised regarding misuse and discouraging full discussion have not come to fruition

Action: M/S/C (Amezcuca/Johnson) to adopt the proposed response actions under Demand 3.

Vote: Ayes: Amezcuca, Johnson, Kesarwani, Lewis, Tregub, Wolfe, and Wright. Noes: None. Abstain: Owens. Absent: None. Recused: Lord.

**Adopted by the Commission on September 7, 2017**

Action: M/S/C (Johnson/Amezcuca) to adopt the following guidelines to the Commission's meeting process with friendly amendments from Chair Tregub:

1. Major agenda items to come through a subcommittee when appropriate and not directly to the Commission.
2. Adopt a standard end time (9 p.m.) and require a simple majority to extend the meeting to 9:30 p.m. If needed, another vote can be taken to extend the meeting to 10 p.m.
3. Introduce a motion as soon as possible for further discussion.
4. Encourage a time limit on each commissioner's comments. Presenter of an item shall get four minutes. The question and answer segment following the presentation of the item has no time limit. In the first round of comments, each commissioner shall receive three minutes. In the subsequent round of discussion, each commissioner shall receive two minutes.
5. Nothing in these guidelines is intended to be in conflict with the HAC's rules as a quasi-judicial body.

Vote: Ayes: Amezcua, Johnson, Lewis, Slaughter, Tregub, Wolfe, and Wright (substitute for Vasquez). Noes: None. Abstain: Lord. Absent: Kesarwani (excused) and Vasquez (excused).





[Commission Name]

[CONSENT OR ACTION]

CALENDAR

[Meeting Date (MM dd, yyyy)]

To: Honorable Mayor and Members of the City Council

From: Housing Advisory Commission

Submitted by: Igor Tregub, Chairperson, Housing Advisory Commission

Subject: Refer to the City Manager's Office and Budget Referral: ADU Pilot Program to House Low-Income Households

### RECOMMENDATION

Refer to the City Manager's office a proposal to establish an ADU Program as an additional strategy to provide housing for low-income households, up to 60% area median income. The pilot program should provide technical assistance and incentives to homeowners in exchange for housing low-income families/individuals, including the homeless, for a specified number of years.

- For homeowners who do not yet have ADU's, this pilot program would provide them with technical and financial assistance to assist them with the permitting and construction of new ADUs.
- For homeowners with unpermitted ADU's, this pilot program would provide them with a path to legalization, including financial and technical assistance in order to convert unpermitted units to permitted units

The pilot will also evaluate the following:

- What type of incentives are required to attract homeowners?
- How will the City will monitor the affordability requirements required by this program over time?
- To what extent might this approach increase the inventory of affordable housing in Berkeley?

The proposed Pilot Program and budget have yet to be determined, but cost components are listed below. The program should be completed within 24 months of Council approval.

## FISCAL IMPACTS OF RECOMMENDATION

At this time, the HAC does not know exactly what a program would cost in Berkeley. While a memo dated December 5, 2017 included on the Consent Calendar provided a budget example, the HAC has concluded that the budget needs to be fine-tuned. For example, the City could waive some or all fees. This possibility is not included in this initial example. Also the costs to bring units to compliance so that they can be permitted are variable, depending on the ADU's condition. Since the costs of ADU's depend on the type of ADU (stand-alone structure, garage conversion, other home remodel, or building on top of a garage), it is difficult to forecast what these costs will be without additional research.

Furthermore any pilot program also needs to address payback of financial to homeowners. The loan could be forgivable to the owner after the owner rents the unit at a below market rent for a specified number of years. Before establishing a pilot program, the City needs to determine a payback schedule. For example, an owner could decide to opt out of the program or decide to sell the house and the ADU unit without the rent restriction, then, the City needs to be reimbursed for some portion of the financial assistance.

## CURRENT SITUATION AND ITS EFFECTS

The City of Berkeley is experiencing a shortage of affordable housing, and an ADU program that encourages homeowners to add or legalize ADU's to rent to low-income individuals and households can add to this inventory. However, it is important that the City establishes realistic goals for such a program.

## BACKGROUND

The limited amount of affordable housing that has been developed in the past few decades has mostly been units in larger apartment buildings. Large projects in Berkeley, Emeryville and San Francisco now cost over \$500,000 per unit to develop. Furthermore, in Berkeley, nonprofit housing developers face challenges in locating building sites.

An affordable alternative to larger projects that require state and federal subsidies are ADU's. ADU's are a source of affordable housing in single and multi-family neighborhoods. There are many potential sites in Berkeley for these ADU's. Furthermore, both state and local codes have now made the development of ADU's easier.

The City's single- and multi-family zoned areas provide a significant opportunity to build new, and preserve existing, affordable housing. Encouraging accessory dwelling units can also be seen as a displacement prevention strategy. The purpose of the pilot

program would be to empower Berkeley homeowners to play a more direct role in providing affordable housing, which, in the long run, could also add to their home values. In developing this program, the Council may wish to consider whether homeowner incomes should also be considered in selecting program participants. Providing subsidies to owners could also be a way to help lower-income homeowners if there is an income restriction on homeowners who participate.

### ADU DEVELOPMENT COSTS

At this time, it is difficult to estimate per unit costs due to the following variables:

Costs for New Construction:

- Construction Costs and Contractor's overhead and profit – These costs are highest for stand-alone ADU's and lowest for a remodel of an existing home. If the homeowners do some of the work themselves, this amount can be lower.
- Soft Costs – These can include the design and possibly an engineering study.
- Fees – mostly charged by the City of Berkeley. Would the City want to waive some of these?

Costs to Legalize a Unit:

- If the unit already conforms to current building codes, then the main cost would be to assess fees that should be paid. The City can also decide if any penalty should be charged, or if the offer to provide the ADU at a restricted rent should be considered to offset any fees.
- What is more problematic is if the building does not conform to current code, and what the cost could be to bring the unit up to code. It is possible that some City funds could be allocated to help a homeowner (and the City) make this determination.

### ENVIRONMENTAL SUSTAINABILITY

Recommendations regarding the implementation of an ADU Pilot Program do not impact the environment directly.

### RATIONALE FOR RECOMMENDATION

We need to think of creative ways to help Berkeley residents afford housing.

### ALTERNATIVE ACTIONS CONSIDERED

New multifamily projects as well as an acquisition/rehabilitation program are additional methods to provide affordable housing. ADU affordable housing program can supplement these approaches.

CITY MANAGER

The City Manager [TYPE ONE] concurs with / takes no position on the content and recommendations of the Commission's Report. [OR] Refer to the budget process.

CONTACT PERSON

Amy Davidson, Senior Community Development Project Coordinator, Health, Housing and Community Services

## Action Calendar – Old Business

**20. Housing Advisory Commission's U1 Recommendations** *(Continued from February 27, 2018)*

**From: Housing Advisory Commission**

**Recommendation:** Targeting of U1 Funds: The City should consider establishing a household income targeting goal regarding U1 expenditures and housing affordability. To set this goal, the City could consider the use of progress made towards meeting the City's Housing Element RHNA numbers. At present, the most under-served income groups are households with extremely low-incomes, low-incomes, and moderate-incomes. A second issue is how income groups are defined for purposes of allocating U1 funds. In general, affordable housing programs use Alameda County incomes defined by household size to determine program eligibility. While it can be argued that very low-income should be defined with a higher income threshold in Berkeley than in some other areas of Alameda County (considering differentials in the cost of living), there really are few other options, particularly if the City and its partners use U1 funds to leverage other funding from state and federal sources. Recommendations for Allocation of U1 Funds: 1. Initially allocate 15% for anti-displacement activities. These activities could include eviction defense and housing counseling, funding the housing retention program, and additional funds for a flexible housing subsidies pool. Remainder of funds to be used to maintain and increase the supply of permanently affordable housing; this may include co-operative housing. 2. Do not allocate all U1 revenues in a given fiscal year to a single project. Administrative Recommendations: 1. City to determine what percentage of U1 funds to be allocated for administration of U1 funds. 2. When appropriate, use the Housing Trust Fund process to allocate funds. 3. Track U1 deposits and expenditures – as promised in the ballot measure. 4. City needs to establish a way to track U1 Funds and expenditures. 5. City should prepare an annual report by May of each year for the HAC and public that reports on revenues and expenditures related to U1 funds.

**Financial Implications:** None

Contact: Amy Davidson, Commission Secretary, 981-5400

**Action:** 2 speakers. M/S/C (Arreguin/Maio) to request that the City Manager provide an information report to Council on recommendations #4 and #5, and to refer the item to the Housing Advisory Commission with the appreciation of the Council and the following requests:

- Consider bonding revenue for affordable housing.
- Review the language in Measure U1 regarding the role and responsibilities of the Commission.
- Consider using funds for a single fiscal year for a single project.

**Vote:** All Ayes.

Housing Advisory Commission

To: Moderate Income Subcommittee (HAC)  
From: Commissioner Thomas Lord  
Subject: **draft report for the 2017-2018 “Moderate income housing” subcommittee**

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## Introduction

The existence of a “moderate income subcommittee” on the HAC is something of a historic milestone.

For roughly 20 years, Berkeley’s affordable housing strategy consensus has been premised on the idea that only a minority of residents will not be able to afford market rate housing, and that there would always be subsidy from superior jurisdictions (primarily the federal government) to assist with the needs of that minority.<sup>1</sup>

To recognize, today, that market rate housing is unaffordable to those with “moderate” income means, literally, that the housing market has become unaffordable to the *majority* of regional residents. Meanwhile, federal subsidy continues to wane, relative to need.<sup>2</sup>

Current affordable housing strategies that were not designed for these newly recognized conditions will have difficulty adapting. New strategic thinking is called for.

In this report we examine three affordable housing strategies<sup>3</sup> through the lens of the needs of moderate income households.

## Background

The HAC work plan entry, which is also the charter of this subcommittee, is slight. In its enigmatic brevity it reads:

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<sup>1</sup>“From Community Control to Professionalism: Social Housing in Berkeley, California, 1976 - 2011”, Stephen E Barton. *Journal of Planning History*; May 2014

<sup>2</sup>The most recent federal budget, celebrated as a huge budget increase, accomplishes little more than a renewal of existing affordable housing contracts.

<sup>3</sup>The three strategies examined were referred to the subcommittee by the HAC’s 2017-2018 work plan.

### **Prioritized problem**

- Lack of Affordable Moderate-Income Housing

### **Strategies**

- Work with BUSD to increase teacher housing.
- Encourage new development in alternative ownership modes, such as co-ops, land trusts, and acquisition/rehab. Properties.
- Encourage ADU's.

## **Exploring the current situation**

In this section, we consider who is “moderate income”, what are their housing needs relative to the market, and how large is the current problem.

### **Defining moderate income**

Policy definitions of “moderate income” vary, but only within a narrow range. Various sources use 80%..115% of area median family income, 80%..120%, and 80%..125%.

Berkeley law uses 80%..120% and we will stick with that.

Complicating matters, when the income thresholds of various income categories are calculated by HUD, the numbers they arrive at are not a *literal* 80% of area median family income, but the result of a calculation that includes various adjustments to account for local market conditions.

For simplicity, examples in this document will refer to a two person household. The average household in Berkeley is between two and three persons.

According to the currently applicable HUD calculations<sup>4</sup>, the low end of income for a moderate income two person household is \$64,351. We infer an upper limit by taking that amount as 80% plus \$1 of the 2-person family median:

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<sup>4</sup>[https://www.cityofberkeley.info/BHA/Home/Payment\\_Standards,\\_Income\\_Limits,\\_and\\_Utility\\_Allowance.aspx](https://www.cityofberkeley.info/BHA/Home/Payment_Standards,_Income_Limits,_and_Utility_Allowance.aspx)



- **moderate income (80%..120%), 2 persons, 2017**  
\$64,351 .. \$96,795

## **Estimating affordability**

We adopt the common assumption that housing is affordable to the persons in a household if their expenditure on housing, utilities, and transportation does not exceed 1/3 of their income.

We adopt a rule of thumb that transportation and utilities will account for 5% of income, leaving 25% for housing.

Applying this:

- **annual housing budget, moderate income, 2 persons, 2017**  
\$16,088 .. \$24,1999
- **monthly housing budget, moderate income, 2 persons, 2017**  
\$1,340 .. \$2,017

## **Current market prices**

The City's 2nd quarter 2017 report on median rents lists these market prices:

unit size	median rent
studio	\$1,750
1 br	\$2,150
2 br	\$3,012
3 br	\$4,100

Continuing our example of a two person household, it follows that:

- at the low end of the income range, \$64,351, no median-price Berkeley apartment is affordable
- at the high end of the income range, \$96,795, only a median-price studio apartment is affordable

At current market prices, no owner-occupied housing in Berkeley is affordable to a moderate income two person household either. For simplicity, examples will concentrate on rental prices.

## **Incumbent population**

The situation for Berkeleyans may be even worse than the preceding analysis suggests.

The area median income used to calculate the moderate income category is the median for a large area that includes more than just Berkeley.

Berkeley's household incomes appear to be lower. For example, the 2016 American Community Survey (ACS) 5-year estimates place the median household income for Berkeley (for households of any size) at only \$70,393.

The average household size in Berkeley is a bit more than two people. As noted earlier, median rent for a 2 bedroom apartment is \$3,012 or, annually, \$36,144. Using our earlier rule of thumb, such a rent is affordable at a household income 4 times greater: \$144,576.

Thus, using the 2016 ACS data, a median two bedroom apartment in Berkeley is affordable to only about 25% of all Berkeley households. Such an apartment is unaffordable even to many households making well above the moderate income limit.

The data available (as of this writing) is inadequate to do more than make a rough guess of the size of the number of incumbent moderate income households in Berkeley. With the understanding that our estimate is crude. Rounding numbers from the ACS, we are using the figure of 20%. That is, we think that roughly 40% of Berkeley households have income below a moderate income, and 40% above.

20% of Berkeley households is just shy of 9,200 households.

Notoriously, Berkeley remains substantially segregated by income and race, with parts of South, Southwest, and West Berkeley particularly vulnerable to (further) gentrification and displacement.

## **Student population**

The number of students at Berkeley’s colleges and university far exceeds the housing available for them in the City.

Student households often compete with moderate income households for the same housing units. Anecdotally, we are aware that students often crowd, converting living rooms into additional bedrooms, and often putting more than one unrelated person in each bedroom.

For some landlords, student households are preferable. The University of California at Berkeley has even gone so far as to obtain master tenancies for several apartment buildings, effectively removing them from the public housing market.

In those conditions a small 2 bedroom apartment may provide *overcrowded* housing for 3 or 4 students but at today’s prices, such a level of crowding brings the high rents within reach for a larger number of students.

## **Summery of current situation**

Because market prices are so high compared to most incomes, the majority of the City and regional population are vulnerable to displacement, and there is essentially no housing in Berkeley that is affordable to them.

Housing demand from overcrowded student households, and from high income households, appears to be much larger than either group is currently represented in Berkeley. Consequently, no conceivable amount of new supply in Berkeley is likely to “free up” enough units to restore widespread affordability to the market.

With the exception of a few income-restricted “inclusionary” units here and there, Berkeley has no programmatic approach to providing housing for moderate income households.

## **Examining the work-plan “strategies”**

We now examine the three “strategies” written on the work-plan.

## **“Encourage ADU’s”**

The Turner Center’s December 2017 brief, titled “ADU update: early lessons and impacts of California’s state and local policy changes”<sup>5</sup> show that removing barriers to ADU construction has significantly increased their production *relative to the past*, but that the rate of ADU production remains extremely small in absolute terms.

Additionally, the Turner update suggests that when ADUs are put for rent on the open market in the East Bay, “the average ADU was advertised at a rental rate that made it afford able to a household earning 62 percent of the area’s median income” – which is to say, below the affordability window of interest for moderate income households.

Lastly, from our perspective, ADUs considered as open market rental housing have undesirable qualities, specifically reduced eviction protections for tenants, and a higher probability of non-professional landlording.

We note that a large square footage house in an R-1 zone, together with an ADU, could be a prime candidate (zoning notwithstanding) for subdivision into 3, 4, or 5 units. This is a concept worth thinking about as part of a strategy for greatly increasing the supply of units – eventually – but we do not recommend any immediate action in that direction at this time. (Not least because the land use question itself is more properly for the Planning Commission.)

## **“Work with BUSD to increase teacher housing”**

Assembly Bill 45, passed in September of 2017, created a system of grants and loans which can assist California school districts to finance private development of public land for housing that will be restricted by occupation and that will be affordable to “low or moderate” income households.

In December of 2017, BUSD voted not to consider pursuing this program until (at least) 2020, while affirming that it *might* try to move forward with it in 2020.

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<sup>5</sup>[http://turnercenter.berkeley.edu/uploads/ADU\\_Update\\_Brief\\_December\\_2017\\_.pdf](http://turnercenter.berkeley.edu/uploads/ADU_Update_Brief_December_2017_.pdf)

For those reasons, we feel it is not timely for the HAC to take up this issue.

### **“Encourage new development in alternative ownership modes...”**

This full item from the work plan reads:

- Encourage new development in alternative ownership modes, such as co-ops, land trusts, and acquisition/rehab. Properties.

We note that, generally speaking, the operating expenses of housing, including routine maintenance and even modest improvements, are widely affordable.

Market rate housing is unaffordable today because of various forms of rent and interest, including but not limited to:

- the price of land (which is regionally scarce)
- taxes on real property and rents
- financing costs
- “professionalized” property management with substantial overhead costs<sup>6</sup>

We turn next to the relation of those factors to ownership structure:

### **Co-ops and land trusts**

The ownership forms mentioned in the work plan (co-ops and land trusts) have this in common:

- they aim to permanently remove land from the market
- they aim to minimize the overhead of property management

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<sup>6</sup>Other sources of high housing prices in this area include:  
– “professionalized” high-fee development services  
– contractor capacity shortage  
– labor intensity of construction relative to other sectors

Traditionally, the City of Berkeley has financially supported the expansion of privately owned land trusts and the establishment of privately owned co-ops for housing which is, by deed restriction, provided below market rate.

### **Acquisition and rehab / social housing**

We are intrigued by the possibility of *social housing*, as (loosely, abstractly) defined below.

Social housing is a variation of the land-trust and coop model, but it is a *non-traditional* variation.

Social housing makes use of a *land trust* that is *majority owned and controlled by the sponsoring jurisdiction*, in this case, the City of Berkeley. In other words, if the City had a social housing program, the land in that program would in essence be part of a City *land bank*. This is in contrast to private-sector land trusts, over which the City has no particular authority.

Social housing makes use of a *structure trust* that is also *majority owned and controlled by the sponsoring jurisdiction*. In other words, *all of the housing in a social housing program has a single legal owner*, which in our case would be a holding company owned by the City.

The *consolidation of ownership* of social housing *allows for cross subsidy*. This means that if there is extra income from one building, but a shortfall need from another, that funds from the former can be used for the latter in a *tax efficient* way.

The property management of social housing is *democratically governed*, is *not for profit*, and emphasizes to the degree practical *direct social labor including tenant self-help*. In the case of Berkeley, we might envision a single non-profit property management firm, majority owned by the City, and subject to strong public oversight. Such a property management firm can complement other municipal policy goals such as job training and creation, including youth employment.

City owned social housing does not need to be restricted by deed or contract for the simple reason that it is fully price controlled by the City for as long as the City owns it. Unlike private land trusts and coops, this makes it natural to lease some social housing at premium rents, capturing 100% of the net

income on such housing units for the purposes of reinvestment into the social housing program.

By policy, the acquisition of social housing should emphasize cash purchases, using debt only very conservatively, and only when it serves a tactical purpose such as increasing net income after debt service.

With the above sketch in mind, we now consider our sources of high housing prices:

- **the price of land (which is regionally scarce)**

Social housing must buy land as needed, but is not required to produce a return to capital on that purchase price.

- **taxes on real property and rents**

Social housing real property is taxed in the usual way.

Additionally, 100% of the net income from social housing rents is reinvested in the program.

- **financing costs**

By policy, social housing emphasizes cash purchases.

- **“professionalized” property management with substantial overhead costs**

Through locally supplied, democratically controlled property management and an emphasis on self-help and direct social labor, social housing can minimize property management costs.

## **Social housing and income categories**

Social housing is a stand-out among strategies for providing housing affordable to today’s moderate income levels because it does not rely on state or federal subsidies (which are mostly directed towards lower income levels, some home ownership subsidies notwithstanding).

## **Obstacles to social housing and future steps**

As sketched above, a Berkeley social housing program requires quite a lot that doesn't already exist. It is, as they say, a "heavy lift". A short list of issues to work through:

- addressing potential legal barriers such as Article 34 and BMC 6.40 ("Public Housing")
- financial evidence and analysis sufficient to validate the idea
- creating a City-controlled holding company for land
- creating a City-controlled holding company for residential buildings
- creating a City-controlled non-profit property management firm
- funding initial acquisitions

## **Social housing and students**

We note in passing the potential opportunity to unite a social housing effort as described above with efforts to expand affordable, democratically controlled student housing.

Here is a straw-man example:

Perhaps if the City of Berkeley acquires a small amount of housing suitable for use as shared housing, it could enter a contract with a student Coop in which, for a limited time, the City provides below market shared housing to coop members, in exchange for the Coop providing the City with technical assistance creating a democratically controlled property management entity that can scale to operate multiple properties.



## Action Calendar – New Business

### 31. BRIDGE's Berkeley Way Development: Funding and Public Parking Requirements

**From: City Manager**

**Recommendation:** Provide direction on the next steps to further the City's partnership with the BRIDGE Housing Corporation (BRIDGE) and the Berkeley Food and Housing Project (BFHP) for the Berkeley Way development project. Specifically:

1. Direct the City Manager to work with BRIDGE and BFHP to finalize the design with the City's preferred amount of public parking. Staff have identified a single level of subterranean parking using puzzle lifts to provide approximately 200 spaces as the most financially feasible model.

2. Direct the City Manager on how to respond to the remaining \$15M gap in the homeless shelter and affordable housing budget that BRIDGE and BFHP have proposed for City funding. At this point, the most feasible financing strategy that staff has identified which would yield sufficient funding is using the available \$2.2M in the Housing Trust Fund and bond financing using increased business license revenues from Measure U1. In consultation with the City's bond counsel, staff estimates that the City could attain \$15M in bond financing for an annual debt payment of approximately \$2M for 10 years.

3. Direct the City Manager on how to respond to the \$1.5M in parking mitigation fees that will be required as a result of the Downtown Area Plan parking fee requirements because the project does not provide resident parking.

4. Direct the City Manager on how to address the additional gap of up to \$8.5M in the project that BRIDGE and BFHP initially proposed filling with 49 project-based Section 8 vouchers from the Berkeley Housing Authority (BHA). BHA staff indicated they will be unable to award project-based vouchers in 2018 because they are facing a budget shortfall.

**Financial Implications:** See report

Contact: Jovan Grogan, City Manager's Office, 981-7000; Paul Buddenhagen, Housing and Community Services, 981-5400; Phillip Harrington, Public Works, 981-6300

**Action:** Moved to Consent Calendar. Approved recommendation as written below.

## Action Calendar – New Business

1. *Reaffirm the City Council May 30, 2017 commitment to expedite BRIDGE/BFHP as a top priority for the Planning Department, and prioritize all City actions needed to meet Cap and Trade ( Affordable Housing and Sustainable Communities) grant deadlines.*
2. *Refer to the Housing Advisory Commission to consider recommendation on use of a lease revenue bond for the creation of the Berkeley Way Development Project. Additionally, refer to the Housing Advisory Commission to consider increasing lease revenue bond amount in order to facilitate the start and advancement of other affordable housing projects, which could enable them to attract more investment and deliver affordable housing sooner.*
3. *Direct the City Manager to consult with our Bond Counsel to initiate the process of preparing a Lease Revenue Bond of 24.8 Million Dollars in order for the city to meet the current estimated funding gap and contribute the direct city portion to the Berkeley Way Development Project,*
4. *Direct the City Manager to provide project partners with specific new parking requirements to incorporate as much public parking as needed to separately finance the subterranean parking with no affordable housing funds going to the parking structure and no loss of affordable housing units. Staff have identified a single level of subterranean parking using puzzle lifts providing approximately 200 public parking spaces as the most financially feasible number.*
5. *Direct the City Manager to prepare a resolution waiving the parking mitigation fee for this project, due to the unique features of this project including providing permanent homeless housing with comprehensive wraparound services and provision of 200 public parking spaces.*

## Information Reports

32. **\*\*\*Removed from the Agenda by the City Manager\*\*\* FY 2018 Mid-Year Budget Update**  
**From: City Manager**  
Contact: Teresa Berkeley-Simmons, Budget Manager, 981-7000
33. **Audit Update: Construction Permits: Monitor Performance and Fee Assessments to Ensure Excellent and Equitable Customer Service**  
**From: City Manager**  
Contact: Timothy Burroughs, Planning and Development, 981-7400  
**Action:** Received and filed.
34. **City Auditor's Snapshot: Quarterly Summary Report on Audit Recommendations**  
**From: Auditor**  
Contact: Ann-Marie Hogan, Auditor, 981-6750  
**Action:** Received and filed.

**Public Comment – Items Not Listed on the Agenda - 0 speakers.**