Rent Stabilization Board

DATE: February 24, 2011

TO: Jay Kelekian, Executive Director

FROM: Steve Barton, Deputy Director
Fatema Crane, Staff Planner

SUBJECT: **Rent Stabilization and Seismic Improvements for Soft Story Properties**

Introduction

The City of Berkeley is currently considering moving forward with the second phase of its Soft Story Program, in which owners of residential buildings particularly vulnerable to collapse during an earthquake would be required to reinforce the buildings to prevent their catastrophic collapse. Seismic retrofit costs are generally estimated at $10,000 per unit. One of the questions raised in these discussions is whether the Rent Stabilization Ordinance or its implementing regulations make it more difficult for owners to retrofit their buildings.

Rent Board staff has collected information on 198 Soft Story properties in order to examine potential financial impediments to meeting the possible retrofit requirements, and whether changes in Rent Stabilization regulations may be necessary.

This report begins with a statement of its major findings, followed by a brief history of the Soft Story Ordinance, a detailed explanation of the study and an analysis of the study results. Attachment A: "Debt Coverage Study for 198 Soft Story Properties," lists the information collected for the study, computations and relevant statistics. Attachment B: Soft Story Timeline lists some of the major events in the City's consideration of this issue.

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Key Findings

The most serious potential barrier to seismic upgrade is the situation in which the owner of a building has already taken out mortgage financing to the maximum extent possible and has no further ability to borrow funds to do seismic reinforcement. This situation will most likely be found in some of the 27% of the buildings (54 of 198) that the owner purchased during 2003 to 2008, the peak period of the recent housing bubble, or where the owner refinanced the building to take out equity based on the property's value during this period. In most of these cases the rents are already at or close to market due to tenant turnover and vacancy decontrol. Changes in rent regulation can do little or nothing to assist owners in such a situation.

Overall only 18% of tenancies in soft-story buildings began before pre-vacancy decontrol, so most tenants are paying rents that are at or close to current market rates. In 5% of the soft-story properties (10 of 198) all or most units have rents significantly below market because the tenants have been in place since before vacancy decontrol. All but one of these buildings have been under long-term ownership and have appreciated substantially in value over their initial purchase price, if only because potential buyers can reasonably anticipate tenant turnover and substantially increased rents at some point in the future. In these buildings, under the regulations governing individual rent adjustments for capital improvements the owners will likely qualify for a rent increase sufficient to cover the costs of the retrofit, thus passing all or part of the cost on to the tenants, and they should be able to borrow the necessary amount. Sources of assistance will be needed for very low-income tenants who may be severely affected by such capital improvements increases.

The majority of buildings listed as potentially hazardous have been owned since before 2003 and have only a minority of the units occupied by long-term tenants with below-market rents. These owners have substantial equity in their properties and have the ability to raise the necessary funds without passing the cost on to the tenants except in those cases where the owners have refinanced to take out equity and have borrowed to the maximum extent possible with current rents. Potentially, the rents on the one-fifth of the units that are substantially below-market rate could be increased to pay for all or part of the retrofit costs. This approach would raise equity issues, since it would be a financial burden on a predominantly low-income group of tenants.

The Soft Story Ordinance

The Soft Story Ordinance, Berkeley Municipal Code 19.39, identifies wood frame buildings with four units or more that have weak ground floor support systems that could sustain serious damage during an earthquake. City Council adopted Phase 1 of the Soft Story ordinance in 2005 and established a list of 371 Soft Story properties where seismic improvements should occur.

Phase 1 requires owners of buildings on the list to notify their tenants and conduct an engineering study to establish a plan for reinforcement to remove it as a hazard. Phase 2 of the Soft Story Ordinance is presently under consideration and will likely include retrofit requirements within a mandatory time frame and penalties for non-compliance. Since that time approximately 100 of these properties have been seismically retrofitted or have demonstrated that they are not hazardous.

Overview of Study

Rent Board staff examined data on those properties that are currently on the soft-story list and have not yet either taken out building permits for or completed seismic retrofit work. The properties on the list include properties where the owner has conducted the engineering study required by Phase 1 and properties where the owner has not yet filed the required study.

Previous staff reports to City Council describe retrofits as costing anywhere from $2,000 to $10,000 per unit, with the high end cost taken from a study in San Francisco. The June 10, 2009 report to the 4 X 4 Committee reported that in Berkeley 48 retrofit permits had been granted up to that time, with a median cost per unit of $2,500 and a mean cost per unit of $3,280. It is likely that work has been done soonest in many buildings where the costs are lowest. It is also possible that some of the work does not fall under the permit or that staff have undervalued some of the work in order to facilitate the retrofit.

<u>The study establishes a standard model to examine whether the financial standing of these properties would allow the owners to borrow up to $10,000 per unit for a seismic retrofit under a typical set of circumstances.</u>

Our review of soft story properties covers 198 properties with a status of "Out of Compliance," "Report in Review," or "Report Approved" at the end of the third quarter in 2010. These properties contain a total of 2,020 units. Properties that have completed a retrofit or have taken out permits for a retrofit are not included. Fraternities, sororities, hotels and motels in these categories were excluded from this study which focuses on conventional multi- unit rental properties.

Data for each property includes sale price or assessed value from the Alameda County property records, and from the Berkeley Rent Program records the rent ceiling for each unit and whether units have turned over since vacancy decontrol. Where a unit is exempt because it is occupied by a tenant receiving rental assistance we have used the Berkeley Housing Authority payment standard less a $100 utility allowance in place of the rent ceiling.

For purposes of analysis we applied a standard model to each property. We assume that Net Operating Income (NOI) is 60% of the total rent collectible under the rent ceiling or payment standard less utility allowance. We assume a 30 year mortgage at an interest rate of 6.0% on 60% of the sales price or assessed value. We further assume that in order to do the seismic retrofit the owner will need to borrow the money and that the loan will be amortized over a 15 year period at an interest rate of 7.5%, as permitted under the Rent Stabilization Program Regulation 1267.E(1) "Capital Improvements: Major Long-Term Repairs". **Each $1,000 borrowed under this provision requires repayment at a monthly rate of $9.27.** We then assume that the owner will need to borrow the maximum estimated amount of $10,000, with a repayment amount of $92.70 per unit per month.

Normally, lenders will require that all loan payments add up to no more than 80% of the NOI, or put another way, that the NOI is equal to at least 125% of the amount of the annual loan payments. The ratio of NOI to loan payments is called the debt coverage ratio (DCR) and if NOI is 125% of payments the DCR is1.25. If the DCR is below 1.25 then the owner is likely to have difficulty borrowing additional funds for the retrofit.

Since the study is based on a standardized model rather than on the actual financial data for each property, we grouped the properties and used the averages for each grouping. The key indicators of potential problems are whether debt coverage ratio for the group as a whole falls below 1.25 and whether a substantial proportion of individual properties within the group have an estimated DCR below 1.25 even though the group's average is higher.

Table 1. Characteristics of Properties

	Properties	**Percentage of Study**	**Units**	**Percentage of Study**
Properties Studied	**198**	**100%**	**2020**	**100%**
Properties with DCR less than 1.25	35	18%	356	18%
Properties Sold between 2003 and 2010	60	30%	679	34%
Properties with > 50% "old tenancies"	10	5%	92	5%
Properties with majority decontrolled tenancies	184	93%	1,898	94%
Total Number of De-Controlled Units	-	-	1,653	82%
Total Number of Controlled Units	-	-	367	18%

Study Results

The study model generates a DCR below 1.25 for 35 of the 198 Soft Story properties in this study (18%), suggesting that a substantial minority of these properties could have difficulty qualifying for an additional loan to do a retrofit.

This problem group is almost entirely located among the properties purchased most recently. Of the 35, 30 were purchased between 2003 and 2008, 56% of the 54 soft-story properties sold during that period. Three more were among the six purchased in 2010. The model generates an average DCR of 1.31 for properties purchased from 2003 to 2010.

Table 2. Subgroup of properties with DCR less than 1.25

	Properties	Percentage of Subgroup	Units	Percentage of Subgroup
Properties with DCR less than 1.25	**35**	**100%**	**356**	**100%**
Properties Sold between 2003 and 2010	33	94%	343	96%
Properties with majority decontrolled tenancies	34	97%	348	98%
Properties with 50% "old tenancies"	1	3%	8	3%

The average DCR for the small group of 10 properties with more than half old tenancies is 2.44 while the average for the entire group is 2.69. These comparable figures suggest that properties with many old tenancies are no more or less financially burdened than others in this survey.

There is no apparent correlation between the estimated DCR and whether the properties are in or out of compliance with the ordinance. There is also no apparent correlation between the number of pre-1999 tenancies, or "old tenancies," and levels of non-compliance. We will try to review similar data for the properties that have already carried out retrofits, but at present compliance appears to be determined by the individual owner rather than reflecting characteristics of the property.

Two-thirds of properties in this study (66%) were purchased before 2000 and the value of these properties has generally increased substantially as a result of the major rent increases allowed by vacancy decontrol, with 82% of all units turning over since 1999. This is a substantial change from the previous study in 2002, when only 54% of the units had received a vacancy increase. Unless the owners of these properties refinanced and took out most of their equity gains for other purposes, they have substantial borrowing capacity.

The study suggests the following conclusions:

1) The strongest indicator of potential financial hardship for non-compliant Soft Story properties is a date of purchase between 2003 and 2008 and not current rent levels or proportion of pre-1996 rental tenancies.
2) The group of 10 properties in which the majority of tenancies date from before vacancy decontrol do not show indications of financial stress and are eligible for capital improvements increases on an individual basis.
3) Owners of two thirds of the properties have held them long enough to gain substantial increases in value due to vacancy decontrol and will only have difficulties in qualifying for loans if they refinanced to take out additional equity during the housing bubble.

Further Study

Staff will soon begin a second study of the City's Soft Story sites, by way of comparison, that applies a similar model of analysis to the approximately 100 properties that have been seismically retrofitted as prescribed by the Ordinance in order to compare the two groups of properties.

Attachments

A. Spreadsheet, "*Debt Coverage Study for 198 Soft Story Properties*." January 24, 2011
B. Soft Story Issue Timeline (Partial)

Debt Coverage Study for 198 Soft Story Properties

January 24, 2011

*Greater than 50% Old Tenancies		Soft Story Ordinance Status 3rd Quarter 2010	Total Units	% Old Tenancies	Average Rent	LM Sale Date	Sale Price	Taxation Value in lieu of Sale Price	**Debt Coverage Ratio with seismic upgrade**	Debt Coverage 1.25 or less? Yes=1	**Debt Coverage Ratio w/o seismic upgrade**	Debt Coverage 1.25 or less? Yes=1
	1	report approved; bu	8	0	1,186.92	1998	1,000,000		**1.29**			
	2	out of compliance	7	0	1,174.95	1986	450,000		**2.36**			
	3	out of compliance	7	0	1,495.92	2010	860,000		**1.63**			
	4	out of compliance	24	0	1,722.99	2008	3,200,000		**1.78**			
	5	out of compliance	9	0	1,334.89	1992		460,880.00	**2.86**			
	6	out of compliance	16	13	816.96	1981	300,000		**3.04**			
	7	out of compliance	5	0	1,556.37	2005	1,145,000		**1.00**	**1**	**1.11**	**1**
	8	out of compliance	6	17	1,010.65	1966		98,451.00	**3.31**			
	9	out of compliance	6	0	1,428.35	2001	674,500		**1.70**			
	10	out of compliance	3	33	1,321.45	2001	250,000		**1.99**			
	11	out of compliance	8	0	1,163.50	1991		196,795.00	**3.82**			
	12	out of compliance	10	10	1,690.14	2004	2,000,500		**1.23**	**1**	**1.38**	
	13	out of compliance	6	33	1,299.44	2004	975,000		**1.13**	**1**	**1.31**	
	14	out of compliance	6	33	1,264.74	2005	720,000		**1.42**			
	15	out of compliance	10	0	1,635.22	1988	430,000		**3.92**			
*	16	out of compliance	8	63	964.04	1986		333,853.00	**2.35**			
*	17	out of compliance	8	63	969.35			160,753.00	**3.50**			
	18	out of compliance	12	0	1,149.75	1995		995,018.00	**1.74**			
	19	out of compliance	11	45	884.09	1985	635,000		**1.74**			
	20	out of compliance	11	0	1,474.50	1985	635,000		**2.91**			
	21	out of compliance	24	13	894.67	2003	2,360,000		**1.18**	**1**	**1.49**	
	22	out of compliance	10	0	2,030.00		144,526		**8.36**			
	23	out of compliance	10	30	1,323.57	2005	1,900,000		**1.01**	**1**	**1.14**	**1**
	24	out of compliance	10	0	1,404.80	1994	1,095,000		**1.71**			
	25	out of compliance	7	14	1,430.27	1998	460,000		**2.57**			
	26	out of compliance	9	22	1,324.91	2005	1,100,000		**1.47**			
	27	out of compliance	11	27	1,267.69			480,863.00	**3.01**			
	28	out of compliance	7	14	1,271.09	2005	1,292,500		**0.99**	**1**	**1.13**	**1**
*	29	out of compliance	6	67	651.69			140,586.00	**1.82**			
	30	out of compliance	8	38	1,155.99	1999	24,500	510,647.00	**2.12**			
	31	out of compliance	18	17	1,218.42			340,219.00	**4.51**			
*	32	out of compliance	4	100	632.79	1968		107,318.00	**1.99**			
	33	out of compliance	20	15	995.29	1992		1,308,410.00	**1.80**			
	34	out of compliance	12	8	1,248.93	1979	195,500		**4.92**			
	35	out of compliance	6	33	732.53	1978	100,000		**2.86**			
	36	out of compliance	8	0	0.00				**0.00**			
	37	report approved	5	0	1,098.96	1993		119,248.00	**3.66**			
	38	report approved	10	0	1,353.33	1984		162,572.00	**4.80**			
	39	report approved	6	0	1,069.44	1989	153,000		**3.45**			
	40	report approved	5	0	1,201.13	1969		88,464.00	**4.57**			
	41	report approved	5	0	1,299.42	2005	730,000		**1.24**	**1**	**1.46**	
	42	report approved	6	0	1,432.30	2004	1,080,000		**1.14**	**1**	**1.30**	
	43	report approved	8	25	1,192.52			807,927.00	**1.55**			
*	44	report approved	5	60	690.60			116,315.00	**2.33**			
	45	report approved	8	13	1,231.18			159,219.00	**3.90**			

Prepared by RSB Staff
Presented to Safe Sustainable Housing Committee January 24, 2011

Debt Coverage Study for 198 Soft Story Properties

January 24, 2011

*Greater than 50% Old Tenancies		Soft Story Ordinance Status 3rd Quarter 2010	Total Units	% Old Tenancies	Average Rent	LM Sale Date	Sale Price	Taxation Value in lieu of Sale Price	**Debt Coverage Ratio with seismic upgrade**	Debt Coverage 1.25 or less? Yes=1	**Debt Coverage Ratio w/o seismic upgrade**	Debt Coverage 1.25 or less? Yes=1
	46	report approved	8	38	1,151.08	2003	1,000,000		**1.25**			
	47	report approved	16			1991	175,000		**0.00**			
	48	report approved	9	0	1,719.11	1999	396,000		**2.26**			
	49	report approved	7	29	997.37	1987	215,000		**2.91**			
	50	report approved	8	13	1,066.46	2006	1,350,000		**0.90**	1	**1.03**	1
*	51	report approved	10	60	717.77			137,620.00	**3.01**			
	52	report approved	10	20	1,288.98			265,524.00	**4.07**			
	53	report approved	7	14	907.21			248,864.00	**2.44**			
	54	report approved	7	29	1,498.83	2003	913,500		**1.57**			
	55	report approved	6	50	984.14	1998	425,000		**1.68**			
	56	report approved	6	17	1,278.50	1989	282,909		**2.89**			
	57	report approved	12	0	1,001.44			230,591.00	**3.07**			
	58	report approved	9	11	1,488.92			513,350.00	**2.96**			
	59	report approved	6	0	1,203.05	1994	260,000		**2.87**			
	60	report approved	15	33	997.77	2010	1,575,000		**1.25**			
	61	report approved	18	0	1,238.68	2006		2,091,307.00	**1.43**			
	62	report approved	9	22	1,256.43	2002	1,100,000		**1.39**			
	63	report approved	7	0	1,717.12	2004	456,000	996,579.00	**1.68**			
	64	report approved	7	29	1,572.64	2004	107,500	750,739.00	**1.94**			
	65	report approved	6	33	1,159.11	1983	220,000		**3.06**			
	66	report approved	5	40	870.36	2010	680,000		**0.88**	1	**1.05**	1
	67	report approved	22	27	1,123.69	1996	1,325,000		**2.15**			
	68	report approved	6	0	2,061.02	1994	95,000		**8.20**			
	69	report approved	5	20	1,132.89	1996	175,500		**3.07**			
	70	report approved	13	23	933.24	1999	1,210,000		**1.29**			
	71	report approved	7	43	835.50	1995	270,000		**2.14**			
	72	report approved	7	0	1,024.25	1978	121,000		**3.94**			
	73	report approved	8	13	1,426.99	2007	1,250,000		**1.29**			
	74	report approved	24	17	1,302.08	2004		3,346,150.00	**1.29**			
	75	report approved	12	17	1,382.21	2003	750,000		**2.58**			
	76	report approved	5	0	1,352.28	1986	160,000		**3.86**			
	77	report approved	8	0	1,373.28	1999	530,000		**2.46**			
	78	report approved	15	0	2,281.78	2003	2,600,000		**1.88**			
	79	report approved	20	15	1,191.97	2007	2,630,000		**1.24**	1	**1.48**	
	80	report approved	6	0	1,900.11	2005	907,000		**1.76**			
*	81	report approved	19	53	866.78	1991	140,000		**4.34**			
	82	report approved	22	0	1,480.68	1993		1,074,743.00	**3.27**			
	83	report approved	5	0	1,523.65	2005	945,000		**1.16**	1	**1.32**	
	84	report approved	14	7	1,278.35	2002	1,400,000		**1.67**			
	85	report approved	9	0	1,276.90	1988	338,000		**3.33**			
	86	report approved	10	20	1,138.00	2007	1,400,000		**1.13**	1	**1.33**	
	87	report approved	19	26	1,168.17	2006	2,450,000		**1.24**	1	**1.48**	
	88	report approved	12	17	1,112.72	2004	1,900,000		**0.99**	1	**1.15**	1
	89	report approved	10	0	1,012.21	1992		428,266.00	**2.43**			
*	90	report approved	7	71	801.97			197,063.00	**2.46**			

Prepared by RSB Staff
Presented to Safe Sustainable Housing Committee January 24, 2011

Debt Coverage Study for 198 Soft Story Properties

January 24, 2011

*Greater than 50% Old Tenancies

	Soft Story Ordinance Status 3rd Quarter 2010	Total Units	% Old Tenancies	Average Rent	LM Sale Date	Sale Price	Taxation Value in lieu of Sale Price	Debt Coverage Ratio with seismic upgrade	Debt Coverage 1.25 or less? Yes=1	Debt Coverage Ratio w/o seismic upgrade	Debt Coverage 1.25 or less? Yes=1
91	report approved	10	20	1,155.28			258,265.00	**3.70**			
92	report approved	7	0	1,362.40	1986	260,000		**3.57**			
93	report approved	7	0	1,355.08			177,663.00	**4.38**			
94	report approved	12	8	1,141.19			195,787.00	**4.49**			
95	report approved	6	0	No Data	1990	220,000		**0.00**			
96	report approved	8	25	908.71	1994		164,246.00	**3.25**			
97	report approved	40	5	987.22			413,052.00	**4.54**			
98	report approved	14	7	1,383.37			471,403.00	**3.84**			
99	report approved	5	0	1,587.71	2010	923,000		**1.24**	**1**	**1.41**	
100	report approved	7	14	2,057.65	2004	1,950,000		**1.11**	**1**	**1.21**	**1**
101	report approved	9	11	1,482.46	1995	675,000		**2.42**			
102	report approved	9	22	1,275.82	2003	1,350,000		**1.19**	**1**	**1.39**	
103	report approved	8	38	921.22			118,795.00	**3.76**			
104	report approved	13	38	1,952.82	2004		3,235,109.00	**1.17**	**1**	**1.28**	
105	report approved	29	0	1,526.81	2008	4,330,000		**1.43**			
106	report approved	11	27	1,557.53	1996	740,000		**2.75**			
107	report approved	7	29	769.78			129,282.00	**2.88**			
108	report approved	10	40	1,057.48			202,253.00	**3.04**			
109	report approved	10	40	953.07	1996	540,000		**1.97**			
110	report approved	5	0	1,519.77	1999	550,000		**1.84**			
111	report approved	8	38	1,193.75			207,764.00	**3.81**			
112	report approved	19	37	937.35	2004	2,350,000		**1.03**	**1**	**1.24**	**1**
113	report approved	5	40	812.80	1997	250,000		**1.77**			
114	report approved	9	22	807.34	1978	52,500		**4.25**			
115	report approved	7	29	1,042.59	2004	700,000		**1.36**			
116	report approved	5	40	1,091.69	1987	167,000		**3.04**			
117	report approved	8	0	1,424.72			220,735.00	**4.41**			
118	report approved	14	21	1,203.05	2005	1,850,000		**1.25**			
119	report approved	7	0	1,135.22			127,067.00	**3.67**			
120	report approved	8	13	1,007.12	1995		157,246.00	**3.21**			
121	report approved	6	17	1,083.19	2005	1,000,000		**0.92**	**1**	**1.06**	**1**
122	report approved	34	15	1,075.56			656,575.00	**3.95**			
123	report approved	20	15	1,066.65	1992	860,000		**2.56**			
124	report approved	10	20	1,645.69	1995		334,823.00	**4.58**			
125	report approved	10	40	808.87	1967		253,255.00	**2.62**			
126	report approved	10	40	933.25			405,818.00	**2.32**			
127	report approved	16	19	1,016.63	2005	2,100,000		**1.06**	**1**	**1.27**	
128	report approved	8	0	1,300.06	1992		182,071.00	**4.43**			
129	report approved	8	50	1,302.02	1965		188,409.00	**4.36**			
* 130	report approved	14	100	581.90			315,206.00	**1.99**			
131	report approved	6	0	1,647.95	2004		1,585,566.00	**0.93**	**1**	**1.02**	**1**
132	report approved	8	50	1,280.63	1998	395,500		**2.45**			
133	report approved	5	20	1,110.67			101,619.00	**3.99**			
134	report approved	6	17	1,255.59	1994	278,000		**2.87**			
135	report approved	13	15	805.87	2003	1,275,000		**1.07**	**1**	**1.34**	

Debt Coverage Study for 198 Soft Story Properties

January 24, 2011

*Greater than 50% Old Tenancies	Soft Story Ordinance Status 3rd Quarter 2010	Total Units	% Old Tenancies	Average Rent	LM Sale Date	Sale Price	Taxation Value in lieu of Sale Price	Debt Coverage Ratio with seismic upgrade	Debt Coverage 1.25 or less? Yes=1	Debt Coverage Ratio w/o seismic upgrade	Debt Coverage 1.25 or less? Yes=1
136	report approved	5	20	614.55			385,218.00	**0.79**	**1**	**1.04**	**1**
137	report approved	17	18	1,325.88	2008	2,550,000		**1.24**	**1**	**1.45**	
138	report approved	7	14	1,302.69	1994	170,000		**4.30**			
139	report approved	5	0	1,380.00			116,342.00	**4.65**			
140	report approved	18	28	1,146.72	1995		355,723.00	**4.17**			
141	report approved	5	20		1994	285,000		**2.93**			
142	report approved	10	40	764.09			456,054.00	**1.76**			
143	report approved	7	0	797.47	1989		505,403.00	**1.34**			
144	report approved	10	40	812.75			153,156.00	**3.28**			
145	report approved	5	40	824.23	2007	3,750,000		**0.17**	**1**	**0.18**	**1**
146	report approved	6	33	1,101.32	2002	200,000	497,976.00	**1.66**			
147	report approved	6	0		1966		182,867.00	**5.60**			
148	report approved	12	17	1,422.26	1988	233,000		**5.21**			
149	report approved	7	43	1,147.66	1991	394,000		**2.30**			
150	report approved	5	0	1,368.77			107,462.00	**4.79**			
151	report approved	5	20	1,384.13	2000		278,777.00	**2.79**			
152	report approved	18	39	1,263.42	2007	2,550,000		**1.24**	**1**	**1.46**	
153	report approved; bu	9	11	1,720.81	1999	965,000		**2.13**			
154	report in review	5	20	1,126.23			87,944.00	**4.30**			
155	report in review	10	30	1,210.74			246,748.00	**3.97**			
156	report in review	12	0	1,606.07	1994		392,350.00	**4.53**			
157	report in review	9	0	0.00	2004		265,414.00	**0.00**			
158	report in review	6	17	1,311.60	2005	720,000		**1.48**			
159	report in review	10	0	1,432.00	2006		1,302,075.00	**1.51**			
160	report in review	5	0	2,816.00	2010	1,350,000		**1.56**			
161	report in review	5	0	1,016.00	1988	87,000		**3.90**			
162	report in review	36	14	828.84	1996	1,050,000		**2.49**			
163	report in review	24	0	1,214.00	2004	2,450,000		**1.56**			
164	report in review	7	0	2,257.14			280,247.00	**5.65**			
165	report in review	19	16	1,032.64	2010	2,515,000		**1.07**	**1**	**1.28**	
166	report in review	17	0	942.08	2002		1,433,169.00	**1.41**			
167	report in review	12	42	859.15	1996	370,000		**2.51**			
168	report in review	12	17	870.01	1986	7,500		**5.04**			
169	report in review	13	8	1,465.33			415,609.00	**4.19**			
170	report in review	11	0	1,250.24	2003	1,675,000		**1.15**	**1**	**1.34**	
171	report in review	12	0	1,408.97			314,719.00	**4.48**			
172	report in review	17	35	983.26	1990		334,870.00	**3.58**			
173	report in review	9	0	1,341.73	2006	1,415,000		**1.20**	**1**	**1.40**	
174	report in review	8	13	1,564.62	1986	259,000		**4.44**			
175	report in review	15	27	1,415.36	1977	171,000		**6.31**			
176	report in review	8	13	2,213.08	2005	1,976,000		**1.33**			
177	report in review	14	7	1,501.64	2004	2,100,000		**1.40**			
178	report in review	5	0	1,983.40	2004	1,300,000		**1.14**	**1**	**1.25**	
179	report in review	6	0	1,410.70			149,686.00	**4.60**			
180	report in review	8	0	1,313.00	2000	1,310,000		**1.14**	**1**	**1.31**	

Debt Coverage Study for 198 Soft Story Properties

January 24, 2011

*Greater than 50% Old Tenancies

	Soft Story Ordinance Status 3rd Quarter 2010	Total Units	% Old Tenancies	Average Rent	LM Sale Date	Sale Price	Taxation Value in lieu of Sale Price	Debt Coverage Ratio with seismic upgrade	Debt Coverage 1.25 or less? Yes=1	Debt Coverage Ratio w/o seismic upgrade	Debt Coverage 1.25 or less? Yes=1
181	report in review	8	50	1,087.30	2005	1,365,000		**0.91**	**1**	**1.04**	**1**
182	report in review	21	0	1,218.81	2007	1,550,000		**2.01**			
183	report in review	16	25	860.51	2003	465,000		**2.59**			
184	report in review	5	0	1,289.20	2005	750,000		**1.20**	**1**	**1.41**	
185	report in review	5	0	1,189.95			128,641.00	**3.82**			
186	report in review	10	10	1,217.04	1988	4,000		**7.75**			
187	report in review	24	13	970.50	1997	960,000		**2.43**			
188	report in review	5	20	836.77			223,650.00	**1.96**			
* 189	report in review	8	100	634.65			437,057.00	**1.30**			
190	report in review	7	14	1,343.61			199,978.00	**4.08**			
191	report in review	6	17	984.68	1989		121,422.00	**3.54**			
192	report in review	11	27	815.86	2002	720,000		**1.47**			
193	report in review	8	50	936.46			207,645.00	**2.99**			
194	report in review	6	17	1,083.92	1994	213,000		**2.92**			
195	report in review	5	40	1,150.03			295,352.00	**2.23**			
* 196	report in review	10	100	520.54	1961		227,553.00	**1.77**			
197	report in review	11	9	1,124.40	1986		488,801.00	**2.64**			
198	report in review	9	0	1,317.45	1996	800,000		**1.89**			

Total Number of Units: 2020

Number of properties with Debt Coverage Ratios less than 1.25: 35 13

Average Debt Coverage Ratio for 194 Properties: **2.62**

Average Debit Coverage Ratio for properties purchased btw 2010 and 2003: 1.31
Average Debit Coverage Ratio for properties purchased btw 2002 and 1996: 2.09
Average Debit Coverage Ratio for properties purchased in 1995 or before: 3.52

Average Debt Coverage Ratio for 10 Properties with more than 50% Old Tenancies: 2.44
Average Debt Coverage Ratio for 4 Properties with 100% Old Tenancies: 1.76

Total Number of Units: 2,020
Number of Controlled Units: 367
Number of De-Controlled Units: 1,653
Percentage of 2020 Unit that are Controlled: 18
Percentage of 2020 Units that are De-Controlled: 82

Partial History of the City's Soft Story Program

In 1996 the City of Berkeley did a preliminary study of potential soft story buildings, finding 400 buildings with about 5,000 units.

In 2001 the City of Berkeley did a follow-up study confirming that most of these buildings were potentially vulnerable to an earthquake.

In 2001, 2002, 2003 City staff presented a slide show on the issue to commissions and civic organizations.

In February 2003 the City Council considered a recommendation from the Disaster Council that the City pass a Soft Story Ordinance similar to the Unreinforced Masonry Ordinance.

In Fall 2004 the Rent Board newsletter, which goes to all owners, carried a front page story on the issue describing the proposed Phase I (notification and required engineering studies) and Phase II (implementation) and asked owners for their suggestions.

In October 2005 the City Council passed the Phase I Soft Story Ordinance.

In January 2006 the City sent notification of the requirements of the ordinance to all owners of property on the soft story list.