



**BERKELEY CITY COUNCIL LAND USE, HOUSING, & ECONOMIC  
DEVELOPMENT COMMITTEE  
REGULAR MEETING**

**BERKELEY CITY COUNCIL SPECIAL MEETING**

**Thursday, May 2, 2019  
10:30 AM**

2180 Milvia Street, 6th Floor - Redwood Room

Committee Members:

Mayor Jesse Arreguin, and Councilmembers Sophie Hahn and Lori Droste

**AGENDA**

**Roll Call**

**Public Comment on Non-Agenda Matters**

**Minutes for Approval**

*Draft minutes for the Committee's consideration and approval.*

**1. Minutes from April 25, 2019 - Special Meeting**

**Committee Action Items**

*The public may comment on each item listed on the agenda for action as the item is taken up. The Chair will determine the number of persons interested in speaking on each item. Up to ten (10) speakers may speak for two minutes. If there are more than ten persons interested in speaking, the Chair may limit the public comment for all speakers to one minute per speaker. Speakers are permitted to yield their time to one other speaker, however no one speaker shall have more than four minutes.*

*Following review and discussion of the items listed below, the Committee may continue an item to a future committee meeting, or refer the item to the City Council.*

## Committee Action Items

2. **Measure O Affordable Housing Bond Planning**  
**From: City Manager**  
**Recommendation:**  
**Financial Implications:** See report.  
Contact: Kelly Wallace, Housing & Community Services Division, 981-5400
  
3. **Berkeley Qualified Opportunity Fund**  
**From: Councilmember Bartlett**  
**Referred: March 19, 2019**  
**Due: September 23, 2019**  
**Recommendation:** On March 19, 2019 City Council referred this item to the Land Use, Housing, and Economic Development Committee with the request to consider the following items:
  - Refer to the Budget Process to conduct an equity assessment and community process to discuss opportunity zones, particularly in South Berkeley.
  - Engage the Office of Economic Development in the community process.
  - Set up standards that reflect the City's goals for the opportunity zones.
  - Set priorities for public projects that the City would like to have completed in the opportunity zones.**Financial Implications:** See report.  
Contact: Ben Bartlett, Councilmember, District 3, 981-7130

## Unscheduled Items

*These items are not scheduled for discussion or action at this meeting. The Committee may schedule these items to the Action Calendar of a future Committee meeting.*

## Unscheduled Items

### 4. **Open Doors Initiative: First Time Homebuyer Program**

**From: Councilmembers Bartlett and Robinson, and Mayor Arreguin**

**Referred: February 11, 2019**

**Due: July 1, 2019**

**Recommendation:** That the City Council direct the Planning Commission to design a regulatory mechanism (Open Doors Initiative) to incentivize the creation of affordable starter homes for Berkeley city employees and persons of moderate income. Also recommend that the City Council direct Housing and Economic Development to analyze the financial barriers to access for low-income homeowners, and to develop a financial program of low-interest loans tied to outreach and education to ensure low-income homeowners can participate and benefit from this program. The Open Doors Initiative is intended to provide assistance to homeowners in R1 and R1A zones to renovate their properties and become multi-family condominiums (the "Missing Middle"). To qualify for zoning approval, families must agree to deed restrictions which limit the sale of the newly-created condominiums to Employees of the City of Berkeley and/or first time moderate income first time home buyers.

Increasing the supply of one bedroom and studio condominiums also allow community members, previously shut out of the middle class, the opportunity to own a home while simultaneously enabling older homeowners to downsize and efficiently utilize their equity. The deed restrictions provided a path to homeownership for moderate income persons; first responders to be on hand in the event of a crisis; and for workers to avoid long commutes by owning homes in the city they serve.

The Open Doors initiative serves the policy goals of economic inclusion, community resilience, and environmental sustainability.

**Financial Implications:** To be determined by an impact study.

Contact: Ben Bartlett, Councilmember, District 3, 981-7130

### 5. **Referral: Fee on New Non-Residential Development to Contribute to the Revolving Loan Fund**

**From: Councilmember Robinson**

**Referred: March 18, 2019**

**Due: September 22, 2019**

**Recommendation:** Refer to the City Manager to develop a new fee on non-residential development to contribute to the City of Berkeley's Revolving Loan Fund (RLF) for small business financing.

**Financial Implications:** See report

Contact: Rigel Robinson, Councilmember, District 7, 981-7170

## Unscheduled Items

### 6. **Local Construction Workforce Development Policy**

**From: Councilmember Bartlett and Mayor Arreguin**

**Referred: April 8, 2019**

**Due: October 7, 2019**

**Recommendation:** Policy Recommendation: That the City Council refer to the Planning Commission to address the shortage of qualified local construction workers; worker retention, and elevated labor costs through the creation of a construction workforce development policy. This local workforce development policy will encourage housing and nonresidential development applicants to require contractors to utilize apprentices from state-approved, joint labor-management training programs, and to offer employees employer-paid health insurance plans. The policy will help stabilize regional construction markets; and enhance productivity of the construction workforce Berkeley needs to meet its General Plan's build-out goals.

**Program:** The City should require contractor prequalification for General Plan Area projects of 30,000 square feet or more.

**Apprenticeship:** Each general contractor and subcontractor (at every tier for the project) will sign a statement stipulating that it participates in a Joint Apprenticeship Program approved by the State of California, Division of Apprenticeship Standards. For each apprenticeable craft a contractor or subcontractor employs on its workforce, the contractor will maintain the ratio of apprentices as required by California Labor Code section 1777.5 which apprentices are enrolled and participating in a Joint Apprenticeship Program approved by the State of California, Division of Apprenticeship Standards.

**Health Care Coverage:** Each general contractor or subcontractor (at every tier for the project) will sign a statement stipulating to and providing documented proof that the contractor pays at least 75 percent of the cost of the premiums for health insurance at the silver level (as set forth by Covered California) for all its construction craft employees and the employees' dependents and that this coverage has been maintained for 180 consecutive days prior to the submission of the pre-qualification documents (a copy of the Declaration of Insurance Coverage showing the dates of continuous coverage or proof that the Contractor contributes to an Employee Benefit Plan shall qualify) OR documentary proof that such medical coverage has been offered to employees within 180 days prior to the submission of pre-qualification documents. Any change in coverage must be immediately provided to the City of Berkeley.

**Financial Implications:** See report.

Contact: Ben Bartlett, Councilmember, District 3, 981-7130

## Unscheduled Items

- 7. Update on North Berkeley BART Zoning and Future Development**  
**From: Mayor Arreguin**  
**Referred: April 3, 2019**  
**Due: October 8, 2019**  
**Recommendation:** The intent of this Information item is to give the Land Use, Housing & Economic Development Policy Committee a status update on, and opportunity to discuss, the visioning process for North Berkeley BART Zoning and Future Development to date and next steps prior to the May 9th Special Council Meeting.  
**Financial Implications:** Staff time.  
Contact: Jesse Arreguin, Mayor, 981-7100
- 8. Referral to City Manager to Return to Council with an Amnesty Program for Legalizing Unpermitted Dwelling Units**  
**From: Councilmembers Wengraf, Harrison, and Hahn, and Mayor Arreguin**  
**Referred: April 8, 2019**  
**Due: October 7, 2019**  
**Recommendation:** That the City of Berkeley create and launch an Amnesty Program to incentivize the legalization of unpermitted dwelling units in order to improve the health/safety and preserve and possibly increase the supply of units available. A set of simple and clearly defined standards and a well-defined path for meeting those standards should be established in order to achieve the greatest success.  
**Financial Implications:** See report  
Contact: Susan Wengraf, Councilmember, District 6, 981-7160
- 9. Prioritizing Affordable Housing for Homeless**  
**From: Mayor Arreguin**  
**Referred: April 15, 2019**  
**Due: October 7, 2019**  
**Recommendation:** Refer to the Housing Advisory Commission to develop an ordinance to set aside 20% of affordable housing units for individuals experiencing homelessness, with preference given to BUSD students.  
**Financial Implications:** Staff time  
Contact: Jesse Arreguin, Mayor, 981-7100

## Adjournment

~~~~~  
*This is a meeting of the Berkeley City Council Land Use, Housing & Economic Development Committee. Since a quorum of the Berkeley City Council may actually be present to discuss matters with the Council Land Use, Housing & Economic Development Committee, this meeting is being noticed as a special meeting of the Berkeley City Council as well as a Council Land Use, Housing & Economic Development Committee meeting.*

*Written communications addressed to the Land Use, Housing & Economic Development Committee and submitted to the City Clerk Department will be distributed to the Committee prior to the meeting.*

*This meeting will be conducted in accordance with the Brown Act, Government Code Section 54953. Any member of the public may attend this meeting. Questions regarding this matter may be addressed to Mark Numainville, City Clerk, 981-6900.*



**COMMUNICATION ACCESS INFORMATION:**

This meeting is being held in a wheelchair accessible location. To request a disability-related accommodation(s) to participate in the meeting, including auxiliary aids or services, please contact the Disability Services specialist at 981-6418 (V) or 981-6347 (TDD) at least three business days before the meeting date. Attendees at public meetings are reminded that other attendees may be sensitive to various scents, whether natural or manufactured, in products and materials. Please help the City respect these needs.

~~~~~  
I hereby certify that the agenda for this special meeting of the Berkeley City Council was posted at the display case located near the walkway in front of the Maudelle Shirek Building, 2134 Martin Luther King Jr. Way, as well as on the City's website, on April 25, 2019.

A handwritten signature in black ink that reads "Mark Numainville".

Mark Numainville, City Clerk

**Communications**

*Communications submitted to City Council Policy Committees are on file in the City Clerk Department at 2180 Milvia Street, 1st Floor, Berkeley, CA.*

**ANNOTATED AGENDA  
BERKELEY CITY COUNCIL LAND USE, HOUSING, & ECONOMIC  
DEVELOPMENT COMMITTEE  
SPECIAL MEETING**

**BERKELEY CITY COUNCIL SPECIAL MEETING**

**Thursday, April 25, 2019  
10:30 AM**

2180 Milvia Street, 6th Floor - Redwood Room

Committee Members:

Mayor Jesse Arreguin, and Councilmembers Sophie Hahn and Lori Droste

**AGENDA**

**Roll Call:** 10:31 a.m.

**Present:** Droste, Hahn, Arreguin

**Public Comment on Non-Agenda Matters:** 4 speakers.

**Minutes for Approval**

*Draft minutes for the Committee's consideration and approval.*

**1. Minutes for Approval - March 21, 2019**

**Action:** M/S/C (Droste/Hahn) to approve minutes as presented.

**Vote:** All Ayes.

**Committee Action Items**

*Following review and discussion of the items listed below, the Committee may continue an item to a future committee meeting, or refer the item to the City Council.*

## Committee Action Items

### 2. **Analysis of Site Capacity for Housing Development at the West Berkeley Service Center, 1900 6th Street**

**From: Mayor Arreguin and Councilmembers Kesarwani, Wengraf, and Bartlett**

**Referred: January 7, 2019**

**Due: May 27, 2019**

**Recommendation:** 1) Short-Term Referral to the City Manager to conduct an analysis of potential site capacity looking at site context and yield under three scenarios: existing zoning conditions in the MUR; a potential maximum height of six stories under the MUR zoning, and a potential maximum height of six stories and reclassification as C-W. Staff will present the findings of this analysis to the City Council as an Information Item.

2) Direct the City Manager to return to City Council at the same meeting when the site capacity analysis is presented with an Action Item to: issue an RFI for the development of the West Berkeley Service Center site (formerly the West Berkeley Senior Center) into a senior housing and services project consistent with Age Friendly Berkeley recommendations, maximizing the number of affordable units; and refer to the Planning Commission potential modifications to the underlying MUR zoning for the West Berkeley Service Center site, 1900 6th Street.

**Financial Implications:** Staff time

Contact: Jesse Arreguin, Mayor, 981-7100

**Action:** 2 speakers. M/S/C(Droste/Hahn) to recommend that the report submitted to the Land Use, Housing & Economic Development Committee on January 7, 2019 and further amended to include additional language in the Recommendation section be submitted to the City Council with a Positive Recommendation.

**Vote:** All Ayes.



## Committee Action Items

### 3. **Update on North Berkeley BART Zoning and Future Development**

**From: Mayor Arreguin**

**Referred: April 3, 2019**

**Due: October 8, 2019**

**Recommendation:** The intent of this Information item is to give the Land Use, Housing & Economic Development Policy Committee a status update on, and opportunity to discuss, the visioning process for North Berkeley BART Zoning and Future Development to date and next steps prior to the May 9th Special Council Meeting.

**Financial Implications:** Staff time.

Contact: Jesse Arreguin, Mayor, 981-7100

**Action:** 8 speakers. Questions asked and discussion held. Item continued to next meeting – May 2, 2019 in preparation of City Council Special Meeting of May 9, 2019 at 6 p.m. at Longfellow Middle School, 1500 Derby Street, Berkeley.

### 4. **Measure O Affordable Housing Bond Planning**

**From: City Manager**

Contact: Kelly Wallace, Housing & Community Services Division, 981-5400

**Action:** 6 speakers. Questions asked and discussion held. Item continued to next meeting – May 2, 2019 with invitation to Measure O Bond Oversight Committee Chair and Members to attend and speak to the Land Use, Housing and Economic Development Policy Committee.

## Committee Action Items

5. **Open Doors Initiative: First Time Homebuyer Program** (*Selected for May 16, 2019 Action Item Agenda*)

**From: Councilmembers Bartlett and Robinson, and Mayor Arreguin**

**Referred: February 11, 2019**

**Due: July 1, 2019**

**Recommendation:** That the City Council direct the Planning Commission to design a regulatory mechanism (Open Doors Initiative) to incentivize the creation of affordable starter homes for Berkeley city employees and persons of moderate income. Also recommend that the City Council direct Housing and Economic Development to analyze the financial barriers to access for low-income homeowners, and to develop a financial program of low-interest loans tied to outreach and education to ensure low-income homeowners can participate and benefit from this program. The Open Doors Initiative is intended to provide assistance to homeowners in R1 and R1A zones to renovate their properties and become multi-family condominiums (the “Missing Middle”). To qualify for zoning approval, families must agree to deed restrictions which limit the sale of the newly-created condominiums to Employees of the City of Berkeley and/or first time moderate income first time home buyers.

Increasing the supply of one bedroom and studio condominiums also allow community members, previously shut out of the middle class, the opportunity to own a home while simultaneously enabling older homeowners to downsize and efficiently utilize their equity. The deed restrictions provided a path to homeownership for moderate income persons; first responders to be on hand in the event of a crisis; and for workers to avoid long commutes by owning homes in the city they serve. The Open Doors initiative serves the policy goals of economic inclusion, community resilience, and environmental sustainability.

**Financial Implications:** To be determined by an impact study.

Contact: Ben Bartlett, Councilmember, District 3, 981-7130

**Action:** 2 speakers. Item continued to next meeting – May 2, 2019.

## Unscheduled Items

*These items are not scheduled for discussion or action at this meeting. The Committee may schedule these items to the Action Calendar of a future Committee meeting.*

## Unscheduled Items

### 6. **Berkeley Qualified Opportunity Fund**

**From: Councilmember Bartlett**

**Referred: March 19, 2019**

**Due: September 23, 2019**

**Recommendation:** On March 19, 2019 City Council referred this item to the Land Use, Housing, and Economic Development Committee with the request to consider the following items:

- Refer to the Budget Process to conduct an equity assessment and community process to discuss opportunity zones, particularly in South Berkeley.
- Engage the Office of Economic Development in the community process.
- Set up standards that reflect the City's goals for the opportunity zones.
- Set priorities for public projects that the City would like to have completed in the opportunity zones.

**Financial Implications:** See report.

Contact: Ben Bartlett, Councilmember, District 3, 981-7130

### 7. **Referral: Fee on New Non-Residential Development to Contribute to the Revolving Loan Fund**

**From: Councilmember Robinson**

**Referred: March 18, 2019**

**Due: September 22, 2019**

**Recommendation:** Refer to the City Manager to develop a new fee on non-residential development to contribute to the City of Berkeley's Revolving Loan Fund (RLF) for small business financing.

**Financial Implications:** See report

Contact: Rigel Robinson, Councilmember, District 7, 981-7170

## Unscheduled Items

### 8. **Local Construction Workforce Development Policy**

**From: Councilmember Bartlett and Mayor Arreguin** (*Selected for May 16, 2019 Action Item Agenda*)

**Referred: April 8, 2019**

**Due: October 7, 2019**

**Recommendation:** Policy Recommendation: That the City Council refer to the Planning Commission to address the shortage of qualified local construction workers; worker retention, and elevated labor costs through the creation of a construction workforce development policy. This local workforce development policy will encourage housing and nonresidential development applicants to require contractors to utilize apprentices from state-approved, joint labor-management training programs, and to offer employees employer-paid health insurance plans. The policy will help stabilize regional construction markets; and enhance productivity of the construction workforce Berkeley needs to meet its General Plan's build-out goals. Program: The City should require contractor prequalification for General Plan Area projects of 30,000 square feet or more.

Apprenticeship: Each general contractor and subcontractor (at every tier for the project) will sign a statement stipulating that it participates in a Joint Apprenticeship Program approved by the State of California, Division of Apprenticeship Standards. For each apprenticeable craft a contractor or subcontractor employs on its workforce, the contractor will maintain the ratio of apprentices as required by California Labor Code section 1777.5 which apprentices are enrolled and participating in a Joint Apprenticeship Program approved by the State of California, Division of Apprenticeship Standards.

Health Care Coverage: Each general contractor or subcontractor (at every tier for the project) will sign a statement stipulating to and providing documented proof that the contractor pays at least 75 percent of the cost of the premiums for health insurance at the silver level (as set forth by Covered California) for all its construction craft employees and the employees' dependents and that this coverage has been maintained for 180 consecutive days prior to the submission of the pre-qualification documents (a copy of the Declaration of Insurance Coverage showing the dates of continuous coverage or proof that the Contractor contributes to an Employee Benefit Plan shall qualify) OR documentary proof that such medical coverage has been offered to employees within 180 days prior to the submission of pre-qualification documents. Any change in coverage must be immediately provided to the City of Berkeley.

**Financial Implications:** See report.

Contact: Ben Bartlett, Councilmember, District 3, 981-7130

## Unscheduled Items

- 9. Referral to City Manager to Return to Council with an Amnesty Program for Legalizing Unpermitted Dwelling Units**  
**From: Councilmembers Wengraf, Harrison, and Hahn, and Mayor Arreguin**  
**Referred: April 8, 2019**  
**Due: October 7, 2019**  
**Recommendation:** That the City of Berkeley create and launch an Amnesty Program to incentivize the legalization of unpermitted dwelling units in order to improve the health/safety and preserve and possibly increase the supply of units available. A set of simple and clearly defined standards and a well-defined path for meeting those standards should be established in order to achieve the greatest success.  
**Financial Implications:** See report  
Contact: Susan Wengraf, Councilmember, District 6, 981-7160
  
- 10. Prioritizing Affordable Housing for Homeless**  
**From: Mayor Arreguin**  
**Referred: April 15, 2019**  
**Due: October 7, 2019**  
**Recommendation:** Refer to the Housing Advisory Commission to develop an ordinance to set aside 20% of affordable housing units for individuals experiencing homelessness, with preference given to BUSD students.  
**Financial Implications:** Staff time  
Contact: Jesse Arreguin, Mayor, 981-7100

## Adjournment

**Action:** M/S/C (Droste /Hahn) to adjourn the meeting.  
**Vote:** All Ayes.

Adjourned at 1:20 p.m.

## Communications

Communications submitted to City Council Policy Committees are on file in the City Clerk Department at 2180 Milvia Street, 1st Floor, Berkeley, CA.

I hereby certify that these are the true and correct minutes of the meeting of April 25, 2019.

---

Deon Sailes  
Assistant City Clerk



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

## MEMORANDUM

**To:** Land Use, Housing & Economic Development Committee Agenda

**From:** Amy Davidson, Interim Manager

**Date:** April 15, 2019

**Subject:** **Measure O Planning**

### Update on Measure O Bond Oversight Committee Formation

As of April 11, seven of Commissioners have been appointed to the Measure O Bond Oversight Committee. A roster of appointees is attached (*Attachment 1*). The first meeting of the Committee is scheduled for Monday, April 29. After an irregular schedule the first few months, necessitated by staff and space conflicts, the Committee will meet the third Monday of the month. Committee information is available online at: [https://www.cityofberkeley.info/Clerk/Commissions/Commissions\\_Measure\\_O\\_Bond\\_Oversight\\_Committee.aspx](https://www.cityofberkeley.info/Clerk/Commissions/Commissions_Measure_O_Bond_Oversight_Committee.aspx)

### Update on Projects with Housing Trust Fund Reservations

Council allocated funds for predevelopment loans to the Bay Area Community Land Trust, SAHA, and BRIDGE Housing, and reserved \$29.5M for future loans for two developments through the Housing Trust Fund (HTF) program:

- Berkeley Way, BRIDGE Housing Corporation / Berkeley Food and Housing Project, \$23.5M (at least \$9.5M Measure O eligible)
- 1601 Oxford, Satellite Affordable Housing Associates, \$6M (all Measure O eligible).

However, other than \$4.6M in the HTF, the City does not have funds budgeted to satisfy the \$29.5M reservation. As of February 2019, the balance of general fund revenue received from Measure U1 was \$3,337,066. Information about the current balance in the Housing Trust Fund is included as *Attachment 2*. Revenue from the Affordable Housing Mitigation Fee (AHMF) and federal funds are not anticipated to reach this level in the near future. Measure O funds could cover at least \$15.5M of the reserved total. This includes \$9.5M of Berkeley Way's \$23.5M reservation (the projected \$14M capitalized operating reserve cannot be funded from Measure O proceeds), plus \$6M for the Oxford Senior Apartments. Staff continue to work with BRIDGE, BFHP and the Berkeley Housing Authority to explore whether project-based Section 8 vouchers may

*A Vibrant and Healthy Berkeley for All*

be available for both projects, which could reduce the need for capitalized operating reserve funding for Berkeley Way from the City.

As reported at the January 15, 2019 City Council worksession on Measure O, BRIDGE and BFHP applied for three sources of state funding in January and February of this year: Affordable Housing and Sustainable Communities (AHSC, awards projected for Summer 2019), No Place Like Home (NPLH, awards expected June 2019), and Supportive Housing Multifamily Housing Program (SHMHP, awards expected July 2019). 1601 Oxford is waiting on an award of No Place Like Home funds so the projects are on similar timelines.

If the projects are successful in their current funding rounds, they will next need to apply for an allocation of noncompetitive 4% Low Income Housing Tax Credits this summer, with awards expected in the fall. Both would need to start construction within about 180 days of the tax credit allocation, no later than early 2020. If Measure O funds will be used to fund these projects, the City can wait until they are awarded Low Income Housing Tax Credits to issue bonds in order to minimize the City's bond expenditure timing risks.

#### Projected HTF Revenue

The most reliable source of funds for the HTF are federal HOME funds. The City has historically allocated \$500,000 to \$700,000 per year in HOME funds into the HTF. In recent years, the HTF has been in a tenuous position as federal budget negotiations have proposed completely eliminating the HOME program; the program ultimately received continued funding, but neither this trend, nor the current federal administration allow for confident predications for future federal funding.

Most HTF revenue comes from mitigation fees which vary considerably with the economy and real estate market. The largest source of fee revenue is the Affordable Housing Mitigation Fee on new rental housing, which accounts for \$1.5M of the \$4.6M currently available for the HTF program. Developers have the option of paying the fee, building Below Market Rate units, or providing a combination of units and fees. Of the 14 projects completed as of April 1, 2019 that were subject to the AHMF, four paid the full fee, five provided units in lieu of any fee, and five provided a combination of units and a proportional fee. It is difficult to predict fee revenue with any certainty since there are usually several years between when a project is entitled and completed, and because owners have until the Certificate of Occupancy to decide whether to pay a fee and/or provide units. The largest fee payment anticipated from a project in construction (the best indicator of whether the project will be completed) will be from Modera Acheson Common, which is expected to pay a total of \$4.1 million.

#### Measure O Bond Implementation

This report seeks to build on initial discussions from the January 15, 2019 Council worksession and request that the Council in collaboration with the Measure O Bond Oversight Committee provide staff direction regarding the use of Measure O funds and

the role and responsibilities of the Measure O Bond Oversight Committee. Key issues for Council and Committee input are outlined below.

**1. Should the City explore establishing new programs for the initial issuance of Measure O bond funds or to focus on the Housing Trust Fund program (new construction and rehab)? Is this a question for the Measure O Committee to evaluate?**

As indicated in the January 15, 2019 report, an initial issuance of \$30M to \$40M could be used to fund \$15.5M in existing HTF reservations as described above, leaving \$14.5M to \$24.5M available for other projects. Since the HTF guidelines allow predevelopment loan applications to be submitted at any time, without issuance of a Request for Proposals (RFP), staff have already reviewed applications for developments projecting a total of \$30M in additional HTF requests.<sup>1</sup> If the City issued an RFP for HTF proposals using Measure O funds, these projects and others would be likely to apply.

If any Measure O funds will be used for the HTF program, staff will need to revise the HTF guidelines to be more consistent with current practices and priorities.

**2. How does Council define the roles and responsibilities of the Measure O Oversight Committee? If any Measure O funds will be used for the Housing Trust Fund program, will the Housing Advisory Commission or the Measure O Committee review project applications? If the Measure O Committee will fill this role, should the HAC review changes to the HTF guidelines?**

Measure O states the Oversight Committee should be tasked with ensuring all expenditures are consistent with the stated intention of measure. Providing additional clarity on the roles and responsibilities of the Committee is necessary to understand how the City will integrate Measure O funds into its current process for reviewing and recommending loans for affordable housing projects.

The City has historically used the HTF program to combine multiple revenue sources from local and federal funds into a consolidated loan. Leveraging the City's share of federal funds with local funds provides the City the flexibility to support specific project needs while staying in compliance with applicable federal requirements. Since federal Department of Housing and Urban Development (HUD) funds come with many stringent requirements; using them in combination with local funds facilitates local flexibility to support additional uses and needs. For example, HOME funds typically have stringent commitment deadlines but are not sufficient to fully fund most projects; combining them with local funds allows a pipeline of projects that can use the funds in time. Similarly, Measure O funds could not fund capitalized operating reserves that could be needed for a homeless-serving development, while general funds like Measure U1 revenue could.

---

<sup>1</sup> SAHA's 2527 San Pablo Avenue (\$12M), RCD's 2001 Ashby (\$18M)



The HTF program guidelines specify that the Housing Advisory Commission will review all funding application. Requiring multiple commissions to review a single loan would create the potential for confusion and conflict that could impede timely use of funds.

**3. Should the Housing Trust Fund guidelines be revised to allow for moderate income developments? If so, to what extent?**

Currently the HTF guidelines require that a total of 60% of the units be restricted at or below 60% of area median income (currently up to \$62,760 for a family of three), including 20% of units at or below 30% of area median income (AMI). These requirements overlay well with Low Income Housing Tax Credit funding and state funding sources designed to complement tax credits. The revised guidelines could establish an additional option for moderate-income developments above these AMI levels.

As noted in the January 15, 2019 report, moderate income housing is eligible for fewer funding sources than housing below 60% AMI and therefore requires a higher local subsidy. As an example, The San Francisco Examiner recently reported the City of San Francisco plans to fund a teachers’ housing project for moderate income households (80% - 120% AMI) at \$385,000 to \$513,000 of City funds per unit. For comparison, the City has reserved \$171,429 per unit for 1601 Oxford.

**4. If an HTF RFP is issued, should there be a priority or a requirement for certain types of activities such as new construction, rehabilitation of existing affordable housing, and/or acquisition and rehabilitation of existing, unsubsidized housing?**

Limiting HTF funds to new construction will prioritize adding units to the City’s portfolio, while allowing rehabilitation of existing affordable housing will preserve current affordable housing for the long term. Regardless, staff recommend that projects be evaluated on cost per square foot among other criteria to encourage use of innovative construction solutions such as modular housing.

**5. If an HTF RFP is issued, should there be a priority or a requirement for serving certain populations, i.e. homeless adults, moderate income families, etc.?**

Possible Timeline for Next Steps

Staff are working with bond counsel to refine required steps and possible timeline.

Process step	Possible dates
Council Policy Committee feedback on Measure O priorities	April 25, 2019

Measure O subcommittee feedback on Measure O priorities and HTF guidelines revisions	April 29, 2019 May 15, 2019 June 17, 2019
Commission HTF Subcommittee and full Commission review of HTF guidelines revisions	June – September 2019
Council direction on Measure O priorities and possible authorization of an RFP	September 10, 2019
Issuance of HTF RFP	September 11, 2019
Application period	September 11, 2019 – October 21, 2019
Staff evaluation of HTF applications *timeline may need to be extended depending on number and complexity of applications received	October 21, 2019 – November 18, 2019
Commission subcommittee review of HTF application	November 22 – December 13, 2019 -
Commission approval of funding recommendations	December/January 2019
Measure O bond issuance	January 2020
Loan closing for Berkeley Way and Oxford Senior Apartments	February – April, 2020
Council approval of funding recommendations	February 2020

Attachments .

1. Measure O Oversight Committee Roster as of April 5, 2019
2. Funds Currently in Housing Trust Fund by Source

**Attachment 1 – Measure O Commission Roster**  
Current as of April 11, 2019

<u>Name</u>	<u>Appointed by Councilmember</u>
vacant	Kesarwani/District 1
vacant	Davila/District 2
Mr. Igor Tregub	Bartlett/District 3
Mr. Nico Calavita	Harrison/District 4
Ms. Christina Oatfield	Hahn/District 5
Ms. Emily Marthinsen	Wengraf/District 6
Ms. Eleanor Smith	Robinson/District 7
Ms. Kim-Mai Cutler	Droste/District 8
Mr. Joshua Daniels	Arreguin/Mayor

**Attachment 2 – Funds Currently in Housing Trust Fund by Source**

<b>Source</b>	<b>Unencumbered Balance as of 4/1/2019</b>
HUD HOME	1,020,992
Affordable Housing Mitigation Fee Revenue	1,462,501
Housing Mitigation Fee on Commercial Development	876,283
Inclusionary Housing Ordinance Fees (includes HTF loan repayments)	349,716
Condominium Conversion Fee	853,596
<b>Total</b>	<b>4,563,088</b>



## Councilmember Ben Bartlett

City of Berkeley, District 3  
 2180 Milvia Street, 5<sup>th</sup> Floor  
 Berkeley, CA 94704  
 PHONE 510-981-7130  
 EMAIL: [bbartlett@cityofberkeley.info](mailto:bbartlett@cityofberkeley.info)

### CONSENT CALENDAR

To: Honorable Mayor and Members of the City Council  
 From: Councilmember Ben Bartlett  
 Subject: **Berkeley Qualified Opportunity Fund**

#### TITLE/ Subject

Creation of a Municipal Qualified Opportunity Fund to invest in Berkeley's Qualified Opportunity Zones

#### RECOMMENDATION

Short Term Referral to Planning Commission  
 City Manager  
 City Economic Development Officer  
 Housing Advisory Commission  
 Office of Economic Development

That the City Council create a municipal Qualified Opportunity Fund to invest in Qualified Opportunity Zones to stimulate economic growth and develop more affordable housing in Berkeley. The Opportunity Fund and related development of Opportunity Zones will serve the goals of shared economic development, more affordable housing, and economic inclusion by incentivizing investors to direct capital gains toward economically vulnerable neighborhoods in Berkeley while allowing the city to stipulate conditions on the structures built and jobs created.

Qualified Opportunity Funds give investors the opportunity to delay capital gains taxes by investing in property sited in Qualified Opportunity Zones. After holding the investment for five years investors can exclude 10% of the deferred gain, After seven years investors can exclude 15% of the deferred gain, and after ten years 100% of the post-acquisition gain. and after ten years investors can exclude from income the post-acquisition gain.<sup>1</sup>.

Creating a Municipal Qualified Opportunity Fund will give the City of Berkeley a means of enhancing the existing Opportunity Zone Legislation. A Berkeley Opportunity Fund enables the City to compete with market driven investment by offering alternative models of community-centric, equitable investment in neighborhoods. A Berkeley QOF would feature:

- 1) Enhanced affordability requirements
- 2) Growth in good jobs and business opportunities for historically disadvantaged groups

#### CURRENT SITUATION

Specific areas of Berkeley have been selected by the State of California and certified by the U.S. Treasury Department as Qualified Opportunity Zones. The State of California selected these zones

<sup>1</sup> <https://www.irs.gov/newsroom/opportunity-zones-frequently-asked-questions>

in economically-distressed areas. Provided investors meet certain requirements, they can defer capital gains taxes and eventually the tax on value appreciation when investing in these zones.

## BACKGROUND

The Tax Cuts and Jobs Act created a vehicle for individuals to invest in their communities while realizing tax savings. When an individual sells an investment which generates capital gains, that person can invest any portion of those gains into a Qualified Opportunity Fund within 180 days. The deferred capital gains will be taxed on the date the investment in the Qualified Opportunity Fund is sold, or on December 31, 2026, whichever comes first. Qualified Opportunity Funds must invest, either directly or indirectly, in distressed communities designated as Qualified Opportunity Zones by the IRS<sup>2</sup>. Such zones in Berkeley that have been designated by the California Department of Finance as qualified Opportunity Zones include the Alameda County tract numbers 4232, 4235, 4239.01, and 4525. These areas include several blocks surrounding Shattuck Avenue from University Avenue to Ashby Avenue, several streets surrounding Adeline Street until 52nd Street (often referred to as the “Adeline Corridor”), and a rectangular shape of land bordering University Avenue north and San Pablo Avenue to the east and terminating at Dwight Way<sup>3</sup>.

Qualified Opportunity Funds can be invested into specific Qualified Opportunity Zones which have been selected by the Internal Revenue Service and state governments across the United States. Qualified Opportunity Zones are eligible investments for Qualified Opportunity Funds anywhere within the state they exist, and from other parts of the U.S. By establishing a municipal Qualified Opportunity Fund, the city of Berkeley will take a proactive approach to its development and be able to tailor that development to meet the specific needs of current Berkeley residents.

Investors can defer capital gains which are invested into Qualified Opportunity Funds. Moreover, investments in Qualified Opportunity Funds held longer than 5 years allow taxpayers to exclude 10% of the deferred gain, those held longer than 7 years allow taxpayers to exclude a total of 15% of the deferred gain, and those held longer than 10 years allow the taxpayer to exclude the post-acquisition gain on the investment in the Funds.

These new Qualified Opportunity Funds are not without critiques, however. As structures in the Qualified Opportunity Zones become replaced or refurbished and the neighborhood itself becomes more appealing, there is a risk that housing prices will rise, driving out the existing low-income residents and people of color in Berkeley. Furthermore, locally-owned small businesses could face increased competition from large franchises and may also be unable to meet rising rental costs from the developing Qualified Opportunity Zones. New locations of existing franchised businesses may bring new jobs, but those jobs may not pay a living wage or benefits that allow Berkeley workers to support themselves. In short, the city of Berkeley must also leverage the creation of the Qualified Opportunity Fund to ensure that current Berkeley residents living in Qualified Opportunity Zones are able to benefit from the revitalized and new buildings.

The City of Berkeley should consider the following policies in the creation of a Qualified Opportunity Fund to protect current Berkeley residents from adverse effects of the expected development:

- 1) Leverage tax incentives to ensure jobs created in Qualified Opportunity Zones go to local residents, pay a liveable wage, and offer worker protections and benefits that protect families

---

<sup>2</sup> <https://www.congress.gov/bill/115th-congress/house-bill/1>

<sup>3</sup> <https://opzones.ca.gov/oz-map/>

- 2) Ensure historically disadvantaged businesses have access to contracting opportunities in Qualified Opportunity Zones
- 3) Require 50% of housing built in Qualified Opportunity Zones to be affordable to those making less than median area income to support local inhabitants already living in Qualified Opportunity Zones
- 4) Ensure that populations in Qualified Opportunity Zones have access to critical services such as healthcare, transportation, healthy food, and quality education services
- 5) Take steps to include historically underrepresented groups in every aspect of the QOZ process including investment, construction, operation, and purchase.

#### REVIEW OF EXISTING PLANS, PROGRAMS, POLICIES, LAWS

Qualified Opportunity Funds and Zones were created as part of the Tax Cuts and Jobs Act of 2017.

#### ACTIONS/ALTERNATIVES CONSIDERED

Because Qualified Opportunity Funds and Zones are new, there are other jurisdictions to draw from as an example.

#### CONSULTATION/OUTREACH OVERVIEW AND RESULTS

External stakeholders include residents and businesses in the Qualified Opportunity Zones, their neighbors, potential investors, and contractors. Internal stakeholders include the Berkeley City Office of Economic Development, City Manager, City Planner, and Zoning Advisory Board.

#### RATIONALE FOR RECOMMENDATION

Qualified Opportunity Funds can exist independently of a municipal Fund set up by the city of Berkeley. It is legal, however, for the city to set up its own Qualified Opportunity Fund to compete with other Funds to invest in Qualified Opportunity Zones. If the city sets up its own Fund it can direct investments in a deliberate manner, using its municipal Qualified Opportunity Fund to set de facto housing and planning policy through which properties it invests in and how it chooses to renovate those properties. Creating a municipal Qualified Opportunity Fund will give the city of Berkeley greater influence over how investments into its neighborhoods are directed, and how those neighborhoods develop. This is an avenue through which the goals of economic inclusion, affordable housing, and continued neighborhood authenticity and character can be achieved.

Investors can and will create Qualified Opportunity Funds to invest in Berkeley's Qualified Opportunity Zones independent of a municipal Qualified Opportunity Fund. The purpose of creating a municipal Qualified Opportunity Fund is to allow the city of Berkeley to centralize and focus investments into the city, leveraging those investments to ensure current Berkeley residents realize the benefits of Qualified Opportunity Zones. The San Francisco Bay Area has a large community of impact investors, those desiring their investments to benefit communities, and a municipal Qualified Opportunity Fund will serve as a vehicle to centralize and direct these investments.

#### IMPLEMENTATION, ADMINISTRATION AND ENFORCEMENT

The City of Berkeley would create a Qualified Opportunity Fund to serve as a "bucket" for funds to invest in Qualified Opportunity Zones designated by the State of California and certified by the U.S. Treasury Department.

### ENVIRONMENTAL SUSTAINABILITY

Creating a municipal Qualified Opportunity Fund will allow the city of Berkeley more influence in how Qualified Opportunity Zones are developed. Though new construction and renovation can offer environmental risks and hazards, the City can use Qualified Opportunity Funds to set specific terms for development, such as requiring buildings be carbon neutral. Thus, establishing a Qualified Opportunity Fund could yield a positive environmental effect relative to allowing purely independent Qualified Opportunity Funds to develop the same areas of Berkeley.

### FISCAL IMPACTS

The potential revenue capture for the city of Berkeley is difficult to calculate, but increased property taxes, sales tax revenue, and other forms of revenue for the city are extremely likely outcomes. As Qualified Opportunity Zones are refurbished or developed and new housing and shopping is created, the city of Berkeley will benefit from the economic stimulation created by development.

### OUTCOMES AND EVALUATION

To be determined by an impact study.

### CONTACT PERSON

Councilmember Ben Bartlett:  
Matthew Napoli

510-981-7130  
[napoli.matthew@gmail.com](mailto:napoli.matthew@gmail.com)

### ATTACHMENTS/SUPPORTING MATERIALS

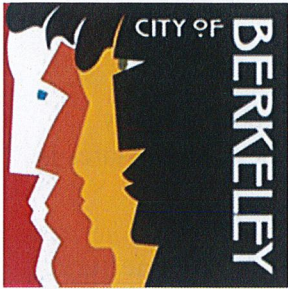


RECEIVED AT  
COUNCIL MEETING OF:

FEB 21 2019

04

OFFICE OF THE CITY CLERK  
CITY OF BERKELEY



Councilmember Ben Bartlett

City of Berkeley, District 3  
2180 Milvia Street, 5<sup>th</sup> Floor  
Berkeley, CA 94704  
PHONE 510-981-7130  
EMAIL: [bbartlett@cityofberkeley.info](mailto:bbartlett@cityofberkeley.info)

To: Honorable Mayor and Members of the City Council  
From: Councilmembers Ben Bartlett [and Rigel Robinson](#), and Mayor Jesse Arreguin  
Subject: Open Doors Initiative: [First Time Homebuyer Program](#)

Short Term Referral to Planning Commission

### RECOMMENDATION

That the City Council direct the Planning Commission to design a regulatory mechanism (Open Doors Initiative) to incentivize the creation of affordable starter homes for Berkeley city employees and persons of moderate income. [Also recommend that the City Council direct hHousing and eEconomic dDevelopment to analyze the financial barriers to access for low-income homeowners, and to develop a financial program of low-interest loans tied to outreach and education to ensure low-income homeowners can participate and benefit from this program.](#) The Open Doors Initiative is intended to provide assistance to homeowners in R1 and R1A zones to renovate their properties and become multi-family condominiums (the “Missing Middle”). To qualify for zoning approval, families must agree to deed restrictions which limit the sale of the newly-created condominiums to Employees of the City of Berkeley and/or first time moderate income first time home buyers—~~the ‘Missing Middle’.~~

Increasing the supply of one bedroom and studio condominiums also allow community members, previously shut out of the middle class, the opportunity to own a home while simultaneously enabling older homeowners to downsize and efficiently utilize their equity. The deed restrictions provide a path to homeownership for moderate income persons; first responders to be on hand in the event of a crisis; and for workers to avoid long commutes by owning homes in the city they serve.

The Open Doors Initiative serves the policy goals of economic inclusion, community resilience, and environmental sustainability.

### CURRENT SITUATION

#### Ever-Increasing Housing Costs Have Drastically Reduced First-Time Home Buyers

Housing ownership is a human right. The Open Doors Initiative is meant to increase home ownership opportunities for first-time home buyers ~~among the ‘missing middle’~~ (people earning 80-120% AMI) who are increasingly shut out of the market.

Housing is now prohibitively expensive. [California ranks 49th in homes per capita and an abysmal 49th in home ownership rates.](#) Likewise, the nation has seen a steep decline of first-time home buyers. In 2010, first-time buyers purchased roughly half of the homes sold nationally; in 2016, only 35% went to first-time buyers<sup>1</sup>.

<sup>1</sup> <https://www.nytimes.com/2017/04/21/realestate/first-time-home-buyers-statistics.html>

While the number of first-time home buyers has steadily decreased, the cost of homes has simultaneously increased. Zillow reports that the median home value in Berkeley is \$1,231,400 and predicts that Berkeley home values will rise 5.9% within the next year.<sup>2</sup> In comparison, the median home value in the United States is \$222,800<sup>3</sup> - just 18% of the median home value in Berkeley.

Many would-be home buyers are finding that they cannot afford to do so. In fact, a recent Credit Sesame survey of more than 1,000 renters found that roughly half of renters only rent a home because they can't afford to own.<sup>4</sup>

[Low-income homeowners face challenges affording and maintaining their homes](#)  
[In Berkeley, many long-time homeowners were able to purchase their homes when values were much lower. Even though redlining and discrimination by financial institutions greatly limited access to capital for African Americans in particular, many were still able to become homeowners in South and West Berkeley.](#)

## **BACKGROUND**

### The Need for Starter Homes

The Open Doors Initiative proposes to increase the number of starter homes, such as condominiums. It envisions residential homeowners dividing their properties into condominiums in Berkeley. Homeowners are granted increased density, with administrative approval, and other fiscal incentives -- provided the homeowner meets certain affordability restrictions and sells to city employees, and first-time homebuyers of moderate income.

Previous generations leveraged the rising housing market to utilize the equity of “starter” homes to allow them to purchase larger homes. This process also gave young families experience of maintaining homes and building community. Today this fundamental act has become more difficult, as the supply of starter homes have drastically dwindled<sup>5</sup>.

Bloomberg reports that starter home inventory has hit its lowest level since Trulia began keeping track in 2012<sup>6</sup>. The supply of starter homes is declining at 17% year-over-year, nearly twice as fast as all homes, and over 3 times faster than larger homes<sup>7</sup>. In July 2017, only 450,000 homes listed below \$200,000 remained in the market, which was about 120,000 fewer than in July 2015 (See id.)

Berkeley is now presented with an historic opportunity to impact the housing crisis by increasing its availability of starter homes. Currently, “[o]ver a third, or 35 percent, of millennials say ‘the down payment’ is their biggest obstacle to buying a home.”<sup>8</sup>

With the Open Doors Initiative, houses that once cost upwards of \$1,000,000 and require a 20% down payment of \$200,000 (and often being sold for cash outright) will now be incentivized to become individual starter homes with drastically reduced costs – four condominiums created from the above converted home would

<sup>2</sup> <https://www.zillow.com/berkeley-ca/home-values/>

<sup>3</sup> <https://www.zillow.com/home-values/>

<sup>4</sup> <https://www.gobankingrates.com/investing/real-estate/reasons-women-struggling-buy-home/>

<sup>5</sup> <https://optimise-design.com/bring-back-starter-home/>

<sup>6</sup> <https://www.bloomberg.com/news/articles/2018-03-21/u-s-starter-homes-are-pricier-smaller-older-and-scarcer>

<sup>7</sup> [https://www.realtor.com/research/housingshortage\\_starterhomes/](https://www.realtor.com/research/housingshortage_starterhomes/)

<sup>8</sup> <https://www.cnbc.com/2018/09/14/the-2-main-reasons-young-people-cant-buy-homes.html>

ideally each cost approximately \$250,000 with a 20% down payment of only \$50,000. Such a change would turn homeownership into an achievable goal for many people, including young families.

“Americans 65 to 74 are now the country’s fastest-growing age group. According to a 2014 AARP survey, 88 percent of older Americans want to remain in place as they age.”<sup>9</sup> Open Doors Initiative encourages seniors in Berkeley who own large homes to downsize, earn money and while saving their assets.

In summary, we believe that increasing starter homes, will increase accessibility to homeownership for under-represented communities, artists, younger people, first responders, and teachers. This will, in turn:

- a. Reduce the wealth gap between older, predominately white homeowners and underrepresented communities;
- b. Increase diversity of Berkeley neighborhoods;
- c. Support Resiliency and Sustainability by reducing commute times for First Responders and City Employees;
- d. Provide financial benefit to senior homeowners

High Home Prices Place Homeownership Out of Reach for a Majority of City Workers and Berkeley Residence

Berkeley salaries<sup>10</sup> are competitive in the region, but still fall below the threshold required to compete in the current housing market.

**Table 2-20: Average Annual Salary by Job Type, Oakland, Fremont, Hayward Metro Area, 1st Quarter 2013**

Job Title	Avg. Annual Salary
<b>Health Care</b>	
Physicians and Surgeons, All Other	> \$203,051
Registered Nurses	\$122,458
Physician Assistants	\$107,636
Pharmacy Technicians	\$50,535
Healthcare Support Workers, All Other	\$49,022
Home Health Aides	\$31,802
<b>Higher Education</b>	
Engineering Teachers, Postsecondary	\$111,076
History Teachers, Postsecondary	\$98,592
Social Science Research Assistants	\$54,683
Graduate Teaching Assistants	\$30,028
<b>Local Government</b>	
Urban and Regional Planners	\$85,419
Fire Fighters	\$88,704
Parking Enforcement Workers	\$50,796
<b>Other Office</b>	
Receptionists and Information Clerks	\$35,734
Office and Administrative Support Workers, All Other	\$36,696
<b>Retail and Service</b>	
Waiters and Waitresses	\$22,723
Dishwashers	\$21,372
Retail Salespersons	\$28,825

Source: CA Employment Development Department, Occupational Employment Statistics (OES) Survey Results

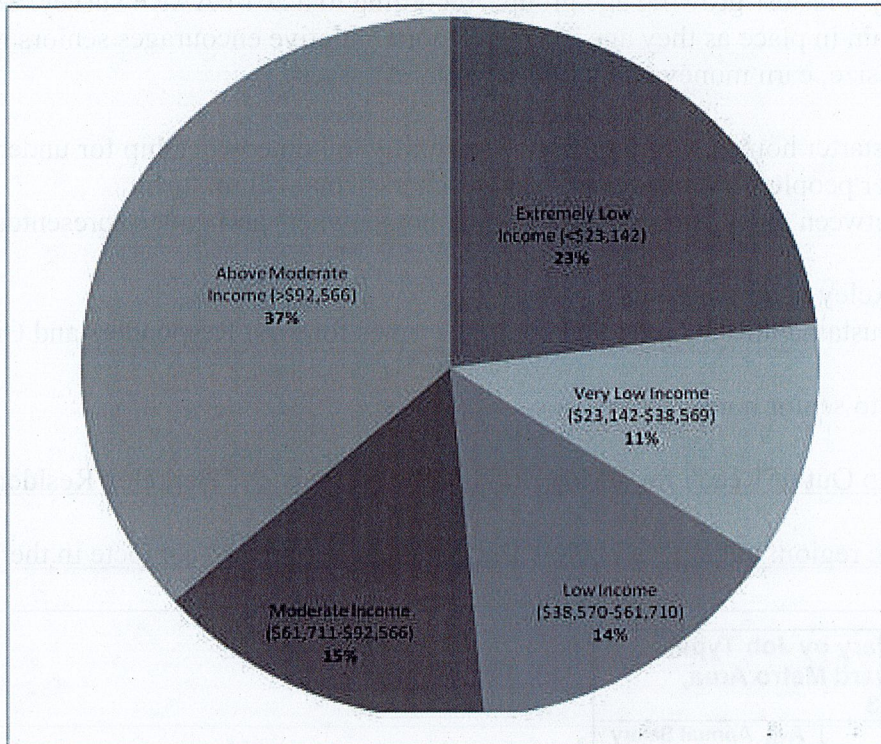
11

<sup>9</sup> [https://www.huffingtonpost.com/entry/housing-crisis-inequality-harvard-report\\_u5\\_5b27c1f1e4b056b2263c621e](https://www.huffingtonpost.com/entry/housing-crisis-inequality-harvard-report_u5_5b27c1f1e4b056b2263c621e)

<sup>10</sup> <https://www.cityofberkeley.info/uploadedFiles/Human Resources/Level 3 - General/SalaryListNONBENEFITED.pdf>

<sup>11</sup> <https://www.cityofberkeley.info/uploadedFiles/Planning and Development/Level 3 - Commissions/Commission for Planning/2015-2023%20Berkeley%20Housing%20Element FINAL.pdf>

**Figure 2-7: Household Income Distribution in Berkeley,  
ACS 2008-20012 Estimates**



Source: ACS 2008-2012 5-year estimates, Table S1901

12

Accommodating City Workers Will Benefit Minority Groups, Who Are Disproportionately Unable to Purchase Homes:

To accommodate workers like teachers and first responders in Berkeley, federal housing rules allow us to set aside workforce housing through a deed restriction. For example, in Colorado, the Peak One Neighborhood, Frisco Town Council, and Summit County Combined Housing Authority has adopted a deed restriction<sup>13</sup> limited sales to municipal workers<sup>14</sup> or work in the County<sup>15</sup>. A workforce deed restriction, accompanied by a change in zoning, can ensure that new homes with deed restricted units are only made available to people who have a history of employment in Berkeley/Alameda County and/or meet certain income requirements. Not only would this deed restriction ensure that units are never sold or rented to anyone who earns income outside of the Berkeley/Alameda County, but also it would protect Berkeley's long-term local workers by stabilizing the housing supply for residents. Because Berkeley city workers are disproportionately minorities, accommodating city workers with deed restrictions will benefit Berkeley minorities.

To successfully increase accessibility for these different communities, we have to change the underlying zoning in order to allow developers to convert single-family homes into duplexes, fourplexes, and other forms of housing that could house multiple groups of people. Currently, these types of housing are not allowed to be built

<sup>12</sup> [https://www.cityofberkeley.info/uploadedFiles/Planning and Development/Level 3 - Commissions/Commission for Planning/2015-2023%20Berkeley%20Housing%20Element FINAL.pdf](https://www.cityofberkeley.info/uploadedFiles/Planning%20and%20Development/Level%203%20-%20Commissions/Commission%20for%20Planning/2015-2023%20Berkeley%20Housing%20Element%20FINAL.pdf)

<sup>13</sup> [https://peakoneneighborhood.com/pdf/Peak One Income Deed Restriction.pdf](https://peakoneneighborhood.com/pdf/Peak%20One%20Income%20Deed%20Restriction.pdf)

<sup>14</sup> [https://peakoneneighborhood.com/pdf/Peak One Non-Income Deed Restriction.pdf](https://peakoneneighborhood.com/pdf/Peak%20One%20Non-Income%20Deed%20Restriction.pdf)

<sup>15</sup> <https://peakoneneighborhood.com/community/locals-price-deed-restriction/>

in the R1 and in a few R2 districts as a result of zoning issues. Thus, we need to address zoning conditions in order to increase accessibility to homeownership for our constituents.

### Wealth Gaps Have Resulted from Homeownership Inequalities

The impact of rising housing costs has manifested itself in glaring wealth disparities between homeowners and renters. Roughly half (51.2%) of the total wealth accumulated by the typical American homeowner is derived from the value of their primary residence<sup>16</sup>. Owning a home can drastically improve one's net worth. "Since 2013, the average homeowner has seen their net worth rise from \$201,600 to \$231,400. Renters have watched theirs fall from \$5,600 to \$5,000."<sup>17</sup>

Due to the increase in housing costs and the resulting inaccessibility to homeownership for many people, fewer people are able to accrue wealth by purchasing a home. These wealth disparities are most prevalent in underrepresented communities. For instance, a significant wealth gap has appeared between white and non-white households. "Recent data from the Survey of Income and Program Participation (2014) shows that black households hold less than seven cents on the dollar compared to white households."<sup>18</sup>

"The Institute for Policy Studies recent report *The Road to Zero Wealth: How the Racial Divide is Hollowing Out the America's Middle Class* (RZW) showed that between 1983 and 2013, the wealth of the median black household declined 75 percent (from \$6,800 to \$1,700), and the median Latino household declined 50 percent (from \$4,000 to \$2,000). At the same time, wealth for the median white household increased 14 percent from \$102,000 to \$116,800."<sup>19</sup>

This gap shows no sign of slowing, but rather is projected to increase in the coming years. "In fact, by 2020 [...] black and Latino households are projected to lose even more wealth: 18 percent for the former, 12 percent for the latter. After those declines, the median white household will own 86 times more wealth than its black counterpart, and 68 times more wealth than its Latino one." (See id.)

Another wealth disparity that has grown more extreme is between the younger and older generation. "Older people have always had more net worth than younger people, of course, but never like this. Thirty years ago, families headed by someone over 62 had eight times the median wealth of families headed by someone under 40. By 2013, older families had 15 times the wealth of younger families."<sup>20</sup>

Because homeownership increases one's ability to expand one's net worth, it is the surest on-ramp to addressing these grotesque wealth disparities.

### Displacement as a Result of High Home Costs

Historically, Berkeley's redlining policies denied people of color access to its best neighborhoods. Today, though these policies have long been gone, the residual effect of those policies combined with the housing crisis has had the effect of reinforcing similar divides. "The difference between the large homes and winding roads of the predominantly white neighborhoods of the Hills and the Claremont neighborhood, and the modest, mixed-

---

<sup>16</sup> <https://www.zillow.com/research/black-hispanic-home-wealth-16753/>

<sup>17</sup> [https://www.huffingtonpost.com/entry/housing-crisis-inequality-harvard-report\\_us\\_5b27c1f1e4b056b2263c621e](https://www.huffingtonpost.com/entry/housing-crisis-inequality-harvard-report_us_5b27c1f1e4b056b2263c621e)

<sup>18</sup> <https://insightcced.org/what-we-get-wrong-about-closing-the-racial-wealth-gap/>

<sup>19</sup> <https://www.forbes.com/sites/brianthompson1/2018/02/18/the-racial-wealth-gap-addressing-americas-most-pressing-epidemic/#25b6eb127a48>

<sup>20</sup> [https://www.huffingtonpost.com/entry/housing-crisis-inequality-harvard-report\\_us\\_5b27c1f1e4b056b2263c621e](https://www.huffingtonpost.com/entry/housing-crisis-inequality-harvard-report_us_5b27c1f1e4b056b2263c621e)

use character of racially diverse South and West Berkeley is indicative of the city's racial and class-based divisions."<sup>21</sup>

Housing costs in the United States have condemned many to a life of poverty, especially African Americans and Hispanics. "Though the number of Americans living in poverty has increased by 41 percent since 2000, the number of "high-poverty census tracts" has increased even faster. By now, 51 percent of blacks and 44 percent of Hispanics live in these areas of concentrated poverty, compared to just 17 percent of whites. According to numerous studies, children who grow up in areas of concentrated poverty are disadvantaged on nearly every measure, from school quality to violence to social mobility."<sup>22</sup>

The ever-increasing cost of housing has also forced teachers and first responders to live long distances from their workplaces. For example, San Francisco has seen a teacher shortage, because housing is so costly that the average teacher can only afford .7% of the homes on the market.<sup>23</sup> In addition, despite earning more than \$100,000 in San Francisco and San Jose, first responders can afford just 2.4% and 6.6% of currently listed homes, respectively.<sup>24</sup> In the event of a fire or massive tragedy, we need first responders to be able to live in Berkeley.

A closer look at the makeup of first-time buyers reveals a disturbingly large gap between white and non-white purchasers. The breakdown is as follows: 79% were white, 9% Hispanic, 8% Asian Pacific Islander, 7% African American, and 3% other<sup>25</sup>.

This racial divide is not just present in first-time buyers. Zillow reports that "[i]n 1900, the gap in the homeownership rate between black and white households was 27.6 percentage points. It's now 30.3 percentage points.<sup>26</sup>" Additionally, according to the same report, "the difference between white and Hispanic homeownership rates has more than tripled", from 7.9 percentage points in 1900 to 25.7 percentage points in 2016. (See id.) "It's the widest gap among whites, blacks, Hispanics and Asians." (See id.)

It is likely that the racial and gender wage gaps present in the United States have directly affected homeownership rates. When getting approved for a mortgage, a borrower's income is an important factor when lenders assess his or her reliability, which puts borrowers with less income at a severe disadvantage.

In 2016, Pew Research found that African American men earned 73% of what white men earned, and Hispanic men earned approximately 69%<sup>27</sup>. White women earn approximately 82% of white men, Asian women earn 87%, African American women earn 65%, and Hispanic women earned only 58%. (See id.)

The New York Times's study of first-time buyers reflects the effect of the gender wage gap; while the median home price for a single male was \$157,000, the median price for a single female was \$146,300<sup>28</sup>.

<sup>21</sup> <https://www.berkeleyside.com/2018/09/20/redlining-the-history-of-berkeleys-segregated-neighborhoods>

<sup>22</sup> [https://www.huffingtonpost.com/entry/housing-crisis-inequality-harvard-report\\_us\\_5b27c1f1e4b056b2263c621e](https://www.huffingtonpost.com/entry/housing-crisis-inequality-harvard-report_us_5b27c1f1e4b056b2263c621e)

<sup>23</sup> <https://www.sfgate.com/technology/businessinsider/article/SF-teachers-cant-afford-housing-in-SF-12797504.php>

<sup>24</sup> <https://www.trulia.com/research/affordable-housing-occupation-2018/>

<sup>25</sup> The percentage exceeds 100% because participants could choose more than one ethnicity.

<https://www.nytimes.com/2017/04/21/realestate/first-time-home-buyers-statistics.html>

<sup>26</sup> <https://www.zillow.com/research/homeownership-gap-widens-19384/>

<sup>27</sup> <http://www.pewresearch.org/fact-tank/2016/07/01/racial-gender-wage-gaps-persist-in-u-s-despite-some-progress/>

<sup>28</sup> <https://www.nytimes.com/2017/04/21/realestate/first-time-home-buyers-statistics.html>

Another group adversely affected by the rising housing costs is young people, who are increasingly unable to afford homes. “Though every age bracket contains significant inequalities, Americans over 65 are the only cohort with higher homeownership rates now than in 1987. Homeownership for every other age group has fallen significantly”<sup>29</sup>

Many young people continue to be hindered by their student loans, preventing them from purchasing a home. “Paying college loans is a big burden for homebuyers. It’s harder to save for a down payment and can make qualifying for a mortgage more difficult. It can also delay a purchase as people pay down their debt.”<sup>30</sup>

A recent study has also revealed that people in the LGBTQ+ community face unique challenges when buying a home. In April 2018, a survey by Freddie Mac among 2,313 LGBT community members (aged 22 to 72) living in the United States found that “49 percent of LGBT households are likely to own a home - considerably lower than the current national rate (64.3 percent).”<sup>31</sup> The study showed that when deciding where to live, LGBT renters cited price, safety and a LGBT-friendly location as the most important factors. (See id.)

Berkeley prides itself on accepting people from all walks of life. However, unless a conscious effort is made to increase accessibility of homeownership, underrepresented communities will continue to be denied access to the same benefits enjoyed by current, often very wealthy, homeowners. "Homeownership has become an indispensable part of being a full participant in American society," National Urban League President and CEO Marc H. Morial said. “An erosion of homeownership rates among African Americans represents not only a devastating financial loss but a barrier to full participation in the American dream.”<sup>32</sup>

### Funding

In addition to private lenders and federal and state homeownership programs, potential funding sources include Measure A1 Homeowner Development Funds and Qualified Opportunity Zones.

In 2016, Alameda County passed Measure A1, which issued \$580 million in bonds to acquire and improve real property to help poor and middle-class people buy homes.<sup>33</sup> The Open Doors Initiative proposes to use these A1 Homeowner Development Funds for low income first-time home buyers.

Additionally, the Initiative proposes to explore the use of Qualified Opportunity Zone funds to aid in financing<sup>34</sup> construction costs<sup>35</sup>. Qualified Opportunity Zone funds were established in the Tax Cuts and Jobs Act of 2017 with the purpose of improving Qualified Opportunity Zones.<sup>36</sup> Investors with capital gains can defer taxes on those gains if they invest within Qualified Opportunity Zones.<sup>37</sup>

---

<sup>29</sup> [https://www.huffingtonpost.com/entry/housing-crisis-inequality-harvard-report\\_us\\_5b27c1f1e4b056b2263c621e](https://www.huffingtonpost.com/entry/housing-crisis-inequality-harvard-report_us_5b27c1f1e4b056b2263c621e)

<sup>30</sup> <http://www.nareb.com/black-hispanic-homeownership-rates-remain-stuck-below-whites/>

<sup>31</sup> <https://freddiemac.gcs-web.com/news-releases/news-release-details/new-research-finds-lgbt-homeownership-rates-lag-behind-general>

<sup>32</sup> <https://newsroom.wf.com/press-release/consumer-lending/wells-fargo-commits-increase-african-american-homeownership>

<sup>33</sup> [https://ballotpedia.org/Alameda\\_County,\\_California,\\_Affordable\\_Housing\\_Bond\\_Issue,\\_Measure\\_A1\\_\(November\\_2016\)](https://ballotpedia.org/Alameda_County,_California,_Affordable_Housing_Bond_Issue,_Measure_A1_(November_2016))

<sup>34</sup> [www.verbhouse.com](http://www.verbhouse.com)

<sup>35</sup> [www.divvyhomes.com](http://www.divvyhomes.com)

<sup>36</sup> <https://www.wellsfargo.com/the-private-bank/insights/planning/wpu-qualified-opportunity-zones/>

<sup>37</sup> <https://www.wealthmanagement.com/high-net-worth/what-are-qualified-opportunity-zones>

These Qualified Opportunity Zone funds should be used towards the construction costs related to the creation of starter homes. This will ease the financial burden of seniors seeking to downsize their homes and promote the construction of new starter homes in Berkeley.

## **REVIEW OF EXISTING PLANS, PROGRAMS, POLICIES, LAWS**

Currently Berkeley has a number of units zoned as R1 and R1A, Single Family Residential. The Open Doors Initiative will allow homeowners in an R1 and R1A zone to apply for administrative approval to convert their single family home into a multi-family unit, provided they meet affordability restrictions and agree to sell to moderate income persons and/or city workers including, first responders, firefighters, and other public employees.

The Open Doors Initiative will also require deed restrictions in units that are converted from R1 and R1A to multi-family condos to sell to city workers that meet income requirements, ensuring that the “Missing Middle” of income earners with the city of Berkeley have access to home ownership.

Low-income homeowners face challenges affording and maintaining their homes in Berkeley, many long-time homeowners were able to purchase their homes when values were much lower. Even though redlining and discrimination by financial institutions greatly limited access to capital for African Americans in particular, many were still able to become homeowners in South and West Berkeley.

The Open Doors Initiative would benefit these homeowners by providing a means financial stability. However, in order to realize these benefits, homeowners would be required to make substantial home improvements. The current cost in Berkeley for home improvements is \$400-500 per square foot.

Such prices will likely require the homeowner to receive commercial home improvement loans. This is problematic because, many homeowners of color still face barriers and discrimination in accessing commercial home improvement loans.

This practice of discrimination by lenders can result in homes falling into disrepair. Coupled with aggressive code enforcement has led to some community members losing their homes to receivership and the courts.

For these reasons, the Open Doors Initiative will include not only regulatory changes, but financial and informational programs to ensure low-income homeowners are able to participate and benefit from this program. The Open Doors Initiative helps low-income homeowners realize some of the equity locked up in their home, invest in maintenance and improvements, and provide affordable homeownership opportunities for others in the community. Thus, the program meets the city's goals of stabilizing communities that are facing displacement while adding to the affordable homeownership stock.

## **ACTIONS/ALTERNATIVES CONSIDERED**

That the City Council adopt The Open Doors Initiative to assist the creation of affordable starter homes and empower city employees and first-time home buyers. The Open Doors Initiative will allow homeowners in R1 and R1A zones to apply to renovate their properties to become multi-family condominiums, while providing incentives for doing so. To qualify for zoning approval, families must agree to deed restrictions which prohibit them from selling the newly-created condominiums to anyone who is not an employee with the city of Berkeley or does not meet income requirements. These deed restrictions are meant to provide a path to home ownership for persons within the missing middle and workers with the city of Berkeley who could otherwise not afford to own a home in the city they serve.



**RATIONALE FOR RECOMMENDATION**

As noted above, the homeownership has become increasingly more difficult. By financially incentivizing R1 homeowners to convert to multi-family condominiums, the city of Berkeley will offer a path to older homeowners seeking to downsize to leverage their equity while providing Berkeley city workers with a supply of affordable condominiums. Over time, as the housing market rises, Berkeley city workers and moderate income persons who own these condominiums will be able to leverage the equity themselves when taking out loans, or sell the condominiums to other Berkeley city workers and moderate income persons.

**IMPLEMENTATION, ADMINISTRATION AND ENFORCEMENT**

To be determined.

**FISCAL IMPACTS OF RECOMMENDATION**

To be determined by an impact study.

**ENVIRONMENTAL SUSTAINABILITY**

Duplexing single family homes promotes environmentally sounded infill housing development. In addition, the Open Doors Initiative does not require the creation of additional parking spaces.

**OUTCOMES AND EVALUATION**

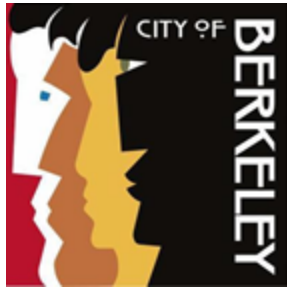
To be determined.

**CONTACT PERSON**

Councilmember Ben Bartlett:	510-981-7130
<u>James Chang</u>	<u><a href="mailto:jchang@cityofberkeley.info">jchang@cityofberkeley.info</a></u>
<u>Katie Ly</u>	<u><a href="mailto:katiely22@berkeley.edu">katiely22@berkeley.edu</a></u>
Matthew Napoli	<u><a href="mailto:napoli.matthew@gmail.com">napoli.matthew@gmail.com</a></u>

**Attachment:**

- 1) **City of Berkeley Employee Salaries:**  
[https://www.cityofberkeley.info/uploadedFiles/Human\\_Resources/Level\\_3 -  
General/SalaryListNONBENEFITED.pdf](https://www.cityofberkeley.info/uploadedFiles/Human_Resources/Level_3_-_General/SalaryListNONBENEFITED.pdf)



## Councilmember Ben Bartlett

City of Berkeley, District 3  
2180 Milvia Street, 5<sup>th</sup> Floor  
Berkeley, CA 94704

PHONE 510-981-7130

EMAIL: [bbartlett@cityofberkeley.info](mailto:bbartlett@cityofberkeley.info)

To: Honorable Mayor and Members of the City Council  
From: Councilmembers Ben Bartlett and Rigel Robinson, and Mayor Jesse Arreguin  
Subject: Open Doors Initiative

Short Term Referral to Planning Commission

### RECOMMENDATION

That the City Council direct the Planning Commission to design a regulatory mechanism (Open Doors Initiative) to incentivize the creation of affordable starter homes for Berkeley city employees and persons of moderate income. The Open Doors Initiative is intended to provide assistance to homeowners in R1 and R1A zones to renovate their properties and become multi-family condominiums. To qualify for zoning approval, families must agree to deed restrictions which limit the sale of the newly-created condominiums to Employees of the City of Berkeley and/or first time moderate income first time home buyers -- the 'Missing Middle'..

Increasing the supply of one bedroom and studio condominiums also allow community members, previously shut out of the middle class, the opportunity to own a home while simultaneously enabling older homeowners to downsize and efficiently utilize their equity. The deed restrictions provide a path to homeownership for moderate income persons; first responders to be on hand in the event of a crisis; and for workers to avoid long commutes by owning homes in the city they serve.

The Open Doors Initiative serves the policy goals of economic inclusion, community resilience, and environmental sustainability.

### CURRENT SITUATION

#### Ever-Increasing Housing Costs Have Drastically Reduced First-Time Home Buyers

Housing ownership is a human right. The Open Doors Initiative is meant to increase home ownership opportunities for first-time home buyers among the 'missing middle' (people earning 80-120% AMI) who are increasingly shut out of the market.

Housing is now prohibitively expensive. The nation has seen a steep decline of first-time home buyers. In 2010, first-time buyers purchased roughly half of the homes sold nationally; in 2016, only 35% went to first-time buyers<sup>1</sup>.

---

<sup>1</sup> <https://www.nytimes.com/2017/04/21/realestate/first-time-home-buyers-statistics.html>

While the number of first-time home buyers has steadily decreased, the cost of homes has simultaneously increased. Zillow reports that the median home value in Berkeley is \$1,231,400 and predicts that Berkeley home values will rise 5.9% within the next year.<sup>2</sup> In comparison, the median home value in the United States is \$222,800<sup>3</sup> - just 18% of the median home value in Berkeley.

Many would-be home buyers are finding that they cannot afford to do so. In fact, a recent Credit Sesame survey of more than 1,000 renters found that roughly half of renters only rent a home because they can't afford to own.<sup>4</sup>

## BACKGROUND

### The Need for Starter Homes

The Open Doors Initiative proposes to increase the number of starter homes, such as condominiums. It envisions residential homeowners dividing their properties into condominiums in Berkeley. Homeowners are granted increased density, with administrative approval, and other fiscal incentives -- provided the homeowner meets certain affordability restrictions and sells to city employees, and first-time homebuyers of moderate income.

Previous generations leveraged the rising housing market to utilize the equity of “starter” homes to allow them to purchase larger homes. This process also gave young families experience of maintaining homes and building community. Today this fundamental act has become more difficult, as the supply of starter homes have drastically dwindled<sup>5</sup>.

Bloomberg reports that starter home inventory has hit its lowest level since Trulia began keeping track in 2012<sup>6</sup>. The supply of starter homes is declining at 17% year-over-year, nearly twice as fast as all homes, and over 3 times faster than larger homes<sup>7</sup>. In July 2017, only 450,000 homes listed below \$200,000 remained in the market, which was about 120,000 fewer than in July 2015 (See id.)

Berkeley is now presented with an historic opportunity to impact the housing crisis by increasing its availability of starter homes. Currently, “[o]ver a third, or 35 percent, of millennials say ‘the down payment’ is their biggest obstacle to buying a home.”<sup>8</sup>

With the Open Doors Initiative, houses that once cost upwards of \$1,000,000 and require a 20% down payment of \$200,000 (and often being sold for cash outright) will now be incentivized to

---

<sup>2</sup> <https://www.zillow.com/berkeley-ca/home-values/>

<sup>3</sup> <https://www.zillow.com/home-values/>

<sup>4</sup> <https://www.gobankingrates.com/investing/real-estate/reasons-women-struggling-buy-home/>

<sup>5</sup> <https://optimise-design.com/bring-back-starter-home/>

<sup>6</sup> <https://www.bloomberg.com/news/articles/2018-03-21/u-s-starter-homes-are-pricier-smaller-older-and-scarcer>

<sup>7</sup> [https://www.realtor.com/research/housingshortage\\_starterhomes/](https://www.realtor.com/research/housingshortage_starterhomes/)

<sup>8</sup> <https://www.cnbc.com/2018/09/14/the-2-main-reasons-young-people-cant-buy-homes.html>

become individual starter homes with drastically reduced costs – four condominiums created from the above converted home would ideally each cost approximately \$250,000 with a 20% down payment of only \$50,000. Such a change would turn homeownership into an achievable goal for many people, including young families.

“Americans 65 to 74 are now the country’s fastest-growing age group. According to a 2014 AARP survey, 88 percent of older Americans want to remain in place as they age.”<sup>9</sup> Open Doors Initiative encourages seniors in Berkeley who own large homes to downsize, earn money and while saving their assets.

In summary, we believe that increasing starter homes, will increase accessibility to homeownership for under-represented communities, artists, younger people, first responders, and teachers. This will, in turn:

- a. Reduce the wealth gap between older, predominately white homeowners and underrepresented communities;
- b. Increase diversity of Berkeley neighborhoods;
- c. Support Resiliency and Sustainability by reducing commute times for First Responders and City Employees;
- d. Provide financial benefit to senior homeowners

#### Accommodating City Workers Will Benefit Minority Groups, Who Are Disproportionately Unable to Purchase Homes.

To accommodate workers like teachers and first responders in Berkeley, federal housing rules allow us to set aside workforce housing through a deed restriction. A workforce deed restriction, accompanied by a change in zoning, can ensure that new homes with deed restricted units are only made available to people who have a history of employment in Berkeley/Alameda County and/or meet certain income requirements. Not only would this deed restriction ensure that units are never sold or rented to anyone who earns income outside of the Berkeley/Alameda County, but also it would protect Berkeley’s long-term local workers by stabilizing the housing supply for residents. Because Berkeley city workers are disproportionately minorities, accommodating city workers with deed restrictions will benefit Berkeley minorities.

To successfully increase accessibility for these different communities, we have to change the underlying zoning in order to allow developers to convert single-family homes into duplexes, fourplexes, and other forms of housing that could house multiple groups of people. Currently, these types of housing are not allowed to be built in the R1 and in a few R2 districts as a result of zoning issues. Thus, we need to address zoning conditions in order to increase accessibility to homeownership for our constituents.

#### Wealth Gaps Have Resulted from Homeownership Inequalities

---

<sup>9</sup> [https://www.huffingtonpost.com/entry/housing-crisis-inequality-harvard-report\\_us\\_5b27c1f1e4b056b2263c621e](https://www.huffingtonpost.com/entry/housing-crisis-inequality-harvard-report_us_5b27c1f1e4b056b2263c621e)

The impact of rising housing costs has manifested itself in glaring wealth disparities between homeowners and renters. Roughly half (51.2%) of the total wealth accumulated by the typical American homeowner is derived from the value of their primary residence<sup>10</sup>. Owning a home can drastically improve one's net worth. "Since 2013, the average homeowner has seen their net worth rise from \$201,600 to \$231,400. Renters have watched theirs fall from \$5,600 to \$5,000."<sup>11</sup>

Due to the increase in housing costs and the resulting inaccessibility to homeownership for many people, fewer people are able to accrue wealth by purchasing a home. These wealth disparities are most prevalent in underrepresented communities. For instance, a significant wealth gap has appeared between white and non-white households. "Recent data from the Survey of Income and Program Participation (2014) shows that black households hold less than seven cents on the dollar compared to white households."<sup>12</sup>

"The Institute for Policy Studies recent report *The Road to Zero Wealth: How the Racial Divide is Hollowing Out the America's Middle Class* (RZW) showed that between 1983 and 2013, the wealth of the median black household declined 75 percent (from \$6,800 to \$1,700), and the median Latino household declined 50 percent (from \$4,000 to \$2,000). At the same time, wealth for the median white household increased 14 percent from \$102,000 to \$116,800."<sup>13</sup>

This gap shows no sign of slowing, but rather is projected to increase in the coming years. "In fact, by 2020 [...] black and Latino households are projected to lose even more wealth: 18 percent for the former, 12 percent for the latter. After those declines, the median white household will own 86 times more wealth than its black counterpart, and 68 times more wealth than its Latino one." (See id.)

Another wealth disparity that has grown more extreme is between the younger and older generation. "Older people have always had more net worth than younger people, of course, but never like this. Thirty years ago, families headed by someone over 62 had eight times the median wealth of families headed by someone under 40. By 2013, older families had 15 times the wealth of younger families."<sup>14</sup>

Because homeownership increases one's ability to expand one's net worth, it is the surest on-ramp to addressing these grotesque wealth disparities.

### Displacement as a Result of High Home Costs

---

<sup>10</sup> <https://www.zillow.com/research/black-hispanic-home-wealth-16753/>

<sup>11</sup> [https://www.huffingtonpost.com/entry/housing-crisis-inequality-harvard-report\\_us\\_5b27c1f1e4b056b2263c621e](https://www.huffingtonpost.com/entry/housing-crisis-inequality-harvard-report_us_5b27c1f1e4b056b2263c621e)

<sup>12</sup> <https://insightcced.org/what-we-get-wrong-about-closing-the-racial-wealth-gap/>

<sup>13</sup> <https://www.forbes.com/sites/brianthompson1/2018/02/18/the-racial-wealth-gap-addressing-americas-most-pressing-epidemic/#25b6eb127a48>

<sup>14</sup> [https://www.huffingtonpost.com/entry/housing-crisis-inequality-harvard-report\\_us\\_5b27c1f1e4b056b2263c621e](https://www.huffingtonpost.com/entry/housing-crisis-inequality-harvard-report_us_5b27c1f1e4b056b2263c621e)

Historically, Berkeley's redlining policies denied people of color access to its best neighborhoods. Today, though these policies have long been gone, the residual effect of those policies combined with the housing crisis has had the effect of reinforcing similar divides. "The difference between the large homes and winding roads of the predominantly white neighborhoods of the Hills and the Claremont neighborhood, and the modest, mixed-use character of racially diverse South and West Berkeley is indicative of the city's racial and class-based divisions."<sup>15</sup>

Housing costs in the United States have condemned many to a life of poverty, especially African Americans and Hispanics. "Though the number of Americans living in poverty has increased by 41 percent since 2000, the number of "high-poverty census tracts" has increased even faster. By now, 51 percent of blacks and 44 percent of Hispanics live in these areas of concentrated poverty, compared to just 17 percent of whites. According to numerous studies, children who grow up in areas of concentrated poverty are disadvantaged on nearly every measure, from school quality to violence to social mobility."<sup>16</sup>

The ever-increasing cost of housing has also forced teachers and first responders to live long distances from their workplaces. For example, San Francisco has seen a teacher shortage, because housing is so costly that the average teacher can only afford .7% of the homes on the market.<sup>17</sup> In addition, despite earning more than \$100,000 in San Francisco and San Jose, first responders can afford just 2.4% and 6.6% of currently listed homes, respectively.<sup>18</sup> In the event of a fire or massive tragedy, we need first responders to be able to live in Berkeley.

A closer look at the makeup of first-time buyers reveals a disturbingly large gap between white and non-white purchasers. The breakdown is as follows: 79% were white, 9% Hispanic, 8% Asian Pacific Islander, 7% African American, and 3% other<sup>19</sup>.

This racial divide is not just present in first-time buyers. Zillow reports that "[i]n 1900, the gap in the homeownership rate between black and white households was 27.6 percentage points. It's now 30.3 percentage points."<sup>20</sup> Additionally, according to the same report, "the difference between white and Hispanic homeownership rates has more than tripled", from 7.9 percentage points in 1900 to 25.7 percentage points in 2016. (See id.) "It's the widest gap among whites, blacks, Hispanics and Asians." (See id.)

It is likely that the racial and gender wage gaps present in the United States have directly affected homeownership rates. When getting approved for a mortgage, a borrower's income is an

---

<sup>15</sup> <https://www.berkeleyside.com/2018/09/20/redlining-the-history-of-berkeleys-segregated-neighborhoods>

<sup>16</sup> [https://www.huffingtonpost.com/entry/housing-crisis-inequality-harvard-report\\_us\\_5b27c1f1e4b056b2263c621e](https://www.huffingtonpost.com/entry/housing-crisis-inequality-harvard-report_us_5b27c1f1e4b056b2263c621e)

<sup>17</sup> <https://www.sfgate.com/technology/businessinsider/article/SF-teachers-cant-afford-housing-in-SF-12797504.php>

<sup>18</sup> <https://www.trulia.com/research/affordable-housing-occupation-2018/>

<sup>19</sup> The percentage exceeds 100% because participants could choose more than one ethnicity.

<https://www.nytimes.com/2017/04/21/realestate/first-time-home-buyers-statistics.html>

<sup>20</sup> <https://www.zillow.com/research/homeownership-gap-widens-19384/>

important factor when lenders assess his or her reliability, which puts borrowers with less income at a severe disadvantage.

In 2016, Pew Research found that African American men earned 73% of what white men earned, and Hispanic men earned approximately 69%<sup>21</sup>. White women earn approximately 82% of white men, Asian women earn 87%, African American women earn 65%, and Hispanic women earned only 58%. (See *id.*)

The New York Times's study of first-time buyers reflects the effect of the gender wage gap; while the median home price for a single male was \$157,000, the median price for a single female was \$146,300<sup>22</sup>.

Another group adversely affected by the rising housing costs is young people, who are increasingly unable to afford homes. "Though every age bracket contains significant inequalities, Americans over 65 are the only cohort with higher homeownership rates now than in 1987. Homeownership for every other age group has fallen significantly"<sup>23</sup>

Many young people continue to be hindered by their student loans, preventing them from purchasing a home. "Paying college loans is a big burden for homebuyers. It's harder to save for a down payment and can make qualifying for a mortgage more difficult. It can also delay a purchase as people pay down their debt."<sup>24</sup>

A recent study has also revealed that people in the LGBTQ+ community face unique challenges when buying a home. In April 2018, a survey by Freddie Mac among 2,313 LGBT community members (aged 22 to 72) living in the United States found that "49 percent of LGBT households are likely to own a home - considerably lower than the current national rate (64.3 percent)."<sup>25</sup> The study showed that when deciding where to live, LGBT renters cited price, safety and a LGBT-friendly location as the most important factors. (See *id.*)

Berkeley prides itself on accepting people from all walks of life. However, unless a conscious effort is made to increase accessibility of homeownership, underrepresented communities will continue to be denied access to the same benefits enjoyed by current, often very wealthy, homeowners. "Homeownership has become an indispensable part of being a full participant in American society," National Urban League President and CEO Marc H. Morial said. "An erosion of homeownership rates among African Americans represents not only a devastating financial loss but a barrier to full participation in the American dream."<sup>26</sup>

---

<sup>21</sup> <http://www.pewresearch.org/fact-tank/2016/07/01/racial-gender-wage-gaps-persist-in-u-s-despite-some-progress/>

<sup>22</sup> <https://www.nytimes.com/2017/04/21/realestate/first-time-home-buyers-statistics.html>

<sup>23</sup> [https://www.huffingtonpost.com/entry/housing-crisis-inequality-harvard-report\\_us\\_5b27c1f1e4b056b2263c621e](https://www.huffingtonpost.com/entry/housing-crisis-inequality-harvard-report_us_5b27c1f1e4b056b2263c621e)

<sup>24</sup> <http://www.nareb.com/black-hispanic-homeownership-rates-remain-stuck-below-whites/>

<sup>25</sup> <https://freddiemac.gcs-web.com/news-releases/news-release-details/new-research-finds-lgbt-homeownership-rates-lag-behind-general>

<sup>26</sup> <https://newsroom.wf.com/press-release/consumer-lending/wells-fargo-commits-increase-african-american-homeownership>

## Funding

In addition to private lenders and federal and state homeownership programs, potential funding sources include Measure A1 Homeowner Development Funds and Qualified Opportunity Zones.

In 2016, Alameda County passed Measure A1, which issued \$580 million in bonds to acquire and improve real property to help poor and middle-class people buy homes.<sup>27</sup> The Open Doors Initiative proposes to use these A1 Homeowner Development Funds for low income first-time home buyers.

Additionally, the Initiative proposes to explore the use of Qualified Opportunity Zone funds to aid in financing construction costs. Qualified Opportunity Zone funds were established in the Tax Cuts and Jobs Act of 2017 with the purpose of improving Qualified Opportunity Zones.<sup>28</sup> Investors with capital gains can defer taxes on those gains if they invest within Qualified Opportunity Zones.<sup>29</sup>

These Qualified Opportunity Zone funds should be used towards the construction costs related to the creation of starter homes. This will ease the financial burden of seniors seeking to downsize their homes and promote the construction of new starter homes in Berkeley.

## REVIEW OF EXISTING PLANS, PROGRAMS, POLICIES, LAWS

Currently Berkeley has a number of units zoned as R1 and R1A, Single Family Residential. The Open Doors Initiative will allow homeowners in an R1 and R1A zone to apply for administrative approval to convert their single family home into a multi-family unit, provided they meet affordability restrictions and agree to sell to moderate income persons and/or city workers including, first responders, firefighters, and other public employees.

The Open Doors Initiative will also require deed restrictions in units that are converted from R1 and R1A to multi-family condos to sell to city workers that meet income requirements, ensuring that the “Missing Middle” of income earners with the city of Berkeley have access to home ownership.

## **ACTIONS/ALTERNATIVES CONSIDERED**

That the City Council adopt The Open Doors Initiative to assist the creation of affordable starter homes and empower city employees and first-time home buyers. The Open Doors Initiative will allow homeowners in R1 and R1A zones to apply to renovate their properties to become multi-family condominiums, while providing incentives for doing so. To qualify for zoning approval, families must agree to deed restrictions which prohibit them from selling the newly-created

---

<sup>27</sup>[https://ballotpedia.org/Alameda\\_County,\\_California,\\_Affordable\\_Housing\\_Bond\\_Issue,\\_Measure\\_A1\\_\(November\\_2016\)](https://ballotpedia.org/Alameda_County,_California,_Affordable_Housing_Bond_Issue,_Measure_A1_(November_2016))

<sup>28</sup><https://www.wellsfargo.com/the-private-bank/insights/planning/wpu-qualified-opportunity-zones/>

<sup>29</sup><https://www.wealthmanagement.com/high-net-worth/what-are-qualified-opportunity-zones>



condominiums to anyone who is not an employee with the city of Berkeley or does not meet income requirements. These deed restrictions are meant to provide a path to home ownership for persons within the missing middle and workers with the city of Berkeley who could otherwise not afford to own a home in the city they serve.

#### **RATIONALE FOR RECOMMENDATION**

As noted above, the homeownership has become increasingly more difficult. By financially incentivizing R1 homeowners to convert to multi-family condominiums, the city of Berkeley will offer a path to older homeowners seeking to downsize to leverage their equity while providing Berkeley city workers with a supply of affordable condominiums. Over time, as the housing market rises, Berkeley city workers and moderate income persons who own these condominiums will be able to leverage the equity themselves when taking out loans, or sell the condominiums to other Berkeley city workers and moderate income persons.

#### **IMPLEMENTATION, ADMINISTRATION AND ENFORCEMENT**

To be determined.

#### **FISCAL IMPACTS OF RECOMMENDATION**

To be determined by an impact study.

#### **ENVIRONMENTAL SUSTAINABILITY**

Duplexing single family homes promotes environmentally sounded infill housing development. In addition, the Open Doors Initiative does not require the creation of additional parking spaces.

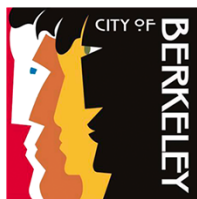
#### **OUTCOMES AND EVALUATION**

To be determined.

#### **CONTACT PERSON**

Councilmember Ben Bartlett:  
Matthew Napoli

510-981-7130  
[napoli.matthew@gmail.com](mailto:napoli.matthew@gmail.com)



CITY COUNCILMEMBER  
**RIGEL ROBINSON**  
 DISTRICT 7

05

ACTION CALENDAR  
 April 2, 2019

To: Honorable Mayor and Members of the City Council  
 From: Councilmember Rigel Robinson  
 Subject: Referral: Fee on New Non-Residential Development to Contribute to the Revolving Loan Fund

RECOMMENDATION

Refer to the City Manager to develop a new fee on non-residential development to contribute to the City of Berkeley's Revolving Loan Fund (RLF) for small business financing.

BACKGROUND

Small businesses play a critical part in Berkeley's identity, community, and economy. In the City's Economic Development Worksession on Small Business Support, the Office of Economic Development (OED) found that Berkeley is comprised of 5,000 small businesses.<sup>1</sup> These small businesses are diverse by sector, type, and ownership demographics and contribute to the substantial overall fiscal impact of businesses to the City of Berkeley. 25% of the City's general fund revenues are generated by business-related taxes.

The OED's Revolving Loan Fund (RLF) offers loans directly to businesses with interest rates and terms that are below market. Small businesses can take advantage of the RLF monies to fund fixed assets, equipment, working capital, and real estate.<sup>2</sup>

In order to encourage and support local small businesses, we must continue to provide low-interest loans by expanding and strengthening the RLF. Levying a new fee on non-residential development would provide support for small businesses and nonprofits impacted by these construction and development projects.

Cities such as Toronto and Seattle have acknowledged the direct impact of construction on nearby local businesses and as a result considered financial assistance.<sup>3 4</sup> In the presence of construction, vehicle, bus, and foot traffic can plummet. This makes it difficult for a family-owned business to sustain itself during this time. While grants or tax

<sup>1</sup> [https://www.cityofberkeley.info/Clerk/City\\_Council/2018/01\\_Jan/Documents/2017-01-16\\_WS\\_Item\\_01\\_Economic\\_Development\\_Worksession.aspx](https://www.cityofberkeley.info/Clerk/City_Council/2018/01_Jan/Documents/2017-01-16_WS_Item_01_Economic_Development_Worksession.aspx)

<sup>2</sup> [https://www.cityofberkeley.info/Clerk/City\\_Council/2019/02\\_Feb/Documents/2019-02-05\\_WS\\_Item\\_02\\_Referral\\_Response\\_Small\\_Business\\_pdf.aspx](https://www.cityofberkeley.info/Clerk/City_Council/2019/02_Feb/Documents/2019-02-05_WS_Item_02_Referral_Response_Small_Business_pdf.aspx)

<sup>3</sup> <https://www.toronto.ca/legdocs/2000/agendas/council/cc/cc000509/wks8rpt/cl002.pdf>

<sup>4</sup> <https://nextcity.org/daily/entry/seattle-complete-streets-project-small-business-impact>

reliefs for affected businesses are prohibited, expanding the RLF would be a measure in support of small businesses.

New commercial developments with established retailers can also contribute to gentrification, pushing out potential local businesses. In addition, some retailers also mentioned the competition posed by bigger stores or chains with greater economies of scale.<sup>5</sup> The RLF supports small businesses to navigate these challenges.

Construction costs in Berkeley continue to rise by the day. In drafting their recommendation, staff should consider the impact of the potential fee on project viability, especially as it relates to mixed use developments which include both residential and non-residential uses.

#### FINANCIAL IMPLICATIONS

Potential revenue increases to the RLF from higher fees on non-residential development.

#### ENVIRONMENTAL SUSTAINABILITY

None.

#### CONTACT PERSON

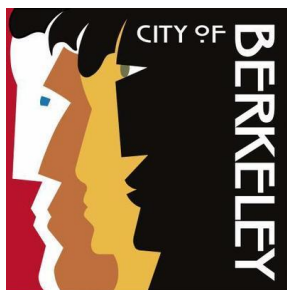
Councilmember Rigel Robinson, (510) 981-7170  
David Lin, Intern

#### Attachments:

- 1: City Council Report - Economic Development Worksession: Small Business Report ([https://www.cityofberkeley.info/Clerk/City\\_Council/2018/01\\_Jan/Documents/2017-01-16\\_WS\\_Item\\_01\\_Economic\\_Development\\_Worksession.aspx](https://www.cityofberkeley.info/Clerk/City_Council/2018/01_Jan/Documents/2017-01-16_WS_Item_01_Economic_Development_Worksession.aspx))
- 2: City Council Report - Referral Response: Small Business Support ([https://www.cityofberkeley.info/Clerk/City\\_Council/2019/02\\_Feb/Documents/2019-02-05\\_WS\\_Item\\_02\\_Referral\\_Response\\_Small\\_Business\\_pdf.aspx](https://www.cityofberkeley.info/Clerk/City_Council/2019/02_Feb/Documents/2019-02-05_WS_Item_02_Referral_Response_Small_Business_pdf.aspx))
- 3: City of Toronto - Construction Effects on Small Businesses (<https://www.toronto.ca/legdocs/2000/agendas/council/cc/cc000509/wks8rpt/cl002.pdf>)

---

<sup>5</sup> [https://www.cityofberkeley.info/Clerk/City\\_Council/2018/01\\_Jan/Documents/2017-01-16\\_WS\\_Item\\_01\\_Economic\\_Development\\_Worksession.aspx](https://www.cityofberkeley.info/Clerk/City_Council/2018/01_Jan/Documents/2017-01-16_WS_Item_01_Economic_Development_Worksession.aspx)



## Councilmember Ben Bartlett

City of Berkeley, District 3  
 2180 Milvia Street, 5<sup>th</sup> Floor  
 Berkeley, CA 94704  
 PHONE 510-981-7130  
 EMAIL: [bbartlett@cityofberkeley.info](mailto:bbartlett@cityofberkeley.info)

### CONSENT CALENDAR

April 23rd, 2019

To: Honorable Mayor and Members of the City Council  
 From: Councilmember Ben Bartlett and Mayor Jesse Arreguin  
 Subject: Local Construction Workforce Development Policy

### RECOMMENDATION:

#### Policy Recommendation:

That the City Council refer to the Planning Commission to address the shortage of qualified local construction workers; worker retention, and elevated labor costs through the creation of a construction workforce development policy. This local workforce development policy will encourage housing and nonresidential development applicants to require contractors to utilize apprentices from state-approved, joint labor-management training programs, and to offer employees employer-paid health insurance plans. The policy will help stabilize regional construction markets; and enhance productivity of the construction workforce Berkeley needs to meet its General Plan's build-out goals.

#### Program:

The City should require contractor prequalification for General Plan Area projects of 30,000 square feet or more.

#### Apprenticeship:

Each general contractor and subcontractor (at every tier for the project) will sign a statement stipulating that it participates in a Joint Apprenticeship Program approved by the State of California, Division of Apprenticeship Standards. For each apprenticeable craft a contractor or subcontractor employs on its workforce, the contractor will maintain the ratio of apprentices as required by California Labor Code section 1777.5 which apprentices are enrolled and participating in a Joint Apprenticeship Program approved by the State of California, Division of Apprenticeship Standards.

#### Health Care Coverage

Each general contractor or subcontractor (at every tier for the project) will sign a statement stipulating to and providing documented proof that the contractor pays at least 75 percent of the cost of the premiums for health insurance at the silver level (as set forth by Covered California) for all its construction craft employees and the employees' dependents and that this coverage has been maintained for 180 consecutive days prior to the submission of the pre-qualification documents (a copy of the Declaration of Insurance Coverage showing the dates of continuous coverage or proof that the Contractor contributes to an Employee Benefit Plan shall qualify) OR documentary proof that such medical coverage has been offered to employees within

180 days prior to the submission of pre-qualification documents. Any change in coverage must be immediately provided to the City of Berkeley.

CURRENT SITUATION:

As the City of Berkeley plans to increase production of housing, commercial buildings, and public facilities, the need for a skilled construction workforce is vital. Shortages of skilled construction workers, particularly residential trades workers, threaten to delay or derail development plans.

The shortages are attributable to factors such as reduced utilization of state-approved apprenticeships, fewer young labor force entrants, dwindling contractor offerings of health and retirement plans, and the related trend of lagging construction productivity growth. These realities have been affecting the land use goals of local jurisdictions. For instance, in San Francisco, many entitled projects with thousands of units awaiting construction are stalled due to skilled labor shortages, diminished contractor productivity, and construction costs that spiked.

The creation and utilization of apprenticeship acts to both recruit and retain an adequate base of construction workers and to be a pipeline for future supervisors and licensed independent contractors. Requiring contractors on major projects in Berkeley to employ apprentices results in a higher volume of apprentice training, and thus, an increase in the construction labor force.

BACKGROUND:

In the 1960s, the introduction of a requirement to employ apprentices on public works projects dramatically increased the amount of apprentice training. Later, this allowed for higher amounts of apprentices to be employed in the private sector, helping builders produce over 4.1 million housing units between 1970 and 1989.

More than 96 percent of the 21,000 apprentices in the greater San Francisco Bay Area who were active or completed their state-approved programs between 2013 and 2018 were affiliated with joint apprenticeship programs.

According to the State of California's 2014 Affordable Housing Cost Study and Economic Census data specific to California's construction industry, construction labor wages and benefits account for only 15% of total project costs. Meanwhile, since 1992 the industry's basis for profitability has increased 50% more than either construction labor or materials.

Despite this increase in profitability, there is still a disconnect between construction workers to apprenticeship and health insurance plans, resulting in a shrinking supply of labor. This has constrained the construction industry's ability to expand in response to the rising construction needs of California and its many cities.

Thus, it is in the City of Berkeley's economic interest as a land use regulator to support a pipeline of skilled workers to accomplish the construction objectives and policies of

the Berkeley General Plan. More specifically, the policy will promote the following Plan's goals:

- 1) Ensure that Berkeley has an adequate supply of decent housing, living wage jobs, and businesses providing basic goods and services.
- 2) New housing should be developed to expand housing opportunities in Berkeley to meet the needs of all income groups.

To increase the prospects for successful implementation and build-out goals of the Plan, it is advised that the City adopt the aforementioned local construction workforce development policy.

#### REVIEW OF EXISTING PLANS, PROGRAMS, POLICIES, AND LAWS

Over 96 percent of the nearly 21,000 apprentices from the greater San Francisco Bay Area who were active or completed their state-approved programs between 2013 and 2018 were affiliated with joint apprenticeship programs.

#### OUTREACH OVERVIEW AND RESULTS

Counsel and recommendations were received from the Building and Construction Trades Council of Alameda County.

#### RATIONALE FOR RECOMMENDATION

The City of Berkeley, along with numerous neighboring cities, school districts, special districts and the state of California plans to increase production of housing, commercial buildings, and/or public facilities. Shortages of skilled construction workers, however, will likely prevent many cities from achieving these goals. Thus, it is vital for the City to enact this policy in order to increase the construction labor supply to adequate levels for Berkeley's goals.

#### IMPLEMENTATION, ADMINISTRATION AND ENFORCEMENT

The Planning Commission will create the policy on local construction workforce development which will be enforced by the City.

#### FISCAL IMPACTS OF RECOMMENDATION

Costs associated with administering the prequalification compliance documentation.

ENVIRONMENTAL SUSTAINABILITY No negative impact.

#### OUTCOMES AND EVALUATION

It is expected that the City Council will refer to the Planning Commission to create a policy requiring contractors to utilize apprentices from state-approved, joint labor-management training programs, and to offer employees employer-paid health insurance plans.

#### CONTACT PERSON

Councilmember Ben Bartlett  
James Chang

510-981-7130  
510-981-7131



Office of the Mayor

INFORMATION CALENDAR

April 23, 2019

To: Members of the City Council

From: Mayor Jesse Arreguin

Subject: Update on North Berkeley BART Zoning and Future Development

BACKGROUND

On May 9, 2019, the City Council will be holding a Special Meeting to discuss North Berkeley BART Zoning and Future Development to:

1. Consider the proposed land use scenarios developed by City staff from the January 15, 2019 worksession;
2. Provide formal direction to the City Manager on a vision for development on the site including proposed zoning requirements;
  - a. Based on this directive, City staff will develop a MOU with BART for project solicitation that will include, but not be limited to:
    - i. Development timeline, sequence of events expected
    - ii. Goals and objectives
    - iii. Development character elements not included in zoning envelope
    - iv. Funding
    - v. City-BART relationship
    - vi. Force majeure (i.e. circumstances outside of our control, economy, etc.);
3. Provide guidance to the Planning Commission for implementing zoning modifications.

RECOMMENDATION

The intent of this Information item is to give the Land Use, Housing & Economic Development Policy Committee a status update on, and opportunity to discuss, the visioning process for North Berkeley BART Zoning and Future Development to date and next steps prior to the May 9<sup>th</sup> Special Council Meeting.

CONTACT PERSON

Mayor Jesse Arreguin — 510-981-7100



Susan Wengraf  
Councilmember District 6

CONSENT CALENDAR  
April 23, 2019

To: Honorable Mayor and Members of the City Council  
 From: Councilmembers Wengraf, Harrison, Hahn, and Mayor Arreguin  
 Subject: Referral to City Manager to Return to Council with an Amnesty Program for Legalizing Unpermitted Dwelling Units

RECOMMENDATION

That the City of Berkeley create and launch an Amnesty Program to incentivize the legalization of unpermitted dwelling units in order to improve the health/safety and preserve and possibly increase the supply of units available. A set of simple and clearly defined standards and a well-defined path for meeting those standards should be established in order to achieve the greatest success.

FINANCIAL IMPLICATIONS

Staff time in Planning, Building and Safety, and Legal Departments

BACKGROUND

Berkeley currently has an inventory of thousands of unpermitted dwelling units that are either being rented illegally or are being kept off the market. Building inspectors are required, under current regulations, to tell owners that these illegally constructed units must be demolished when it is discovered that they were built without permits.

While legal construction should always be the goal, many of the existing unpermitted structures in Berkeley are being put to beneficial use and have existed in the community for years. As long as safety and habitability can be ensured, the continued use of these units is in the public interest, especially given the crisis of available housing and very high housing costs.

Realizing that the state-wide housing crisis has created extraordinary circumstances, and that it is critical to preserve the current housing stock, many California cities have already enacted amnesty programs to address this issue. For example, San Francisco, City of Alameda, Daly City, County of San Mateo, County of Santa Cruz, Los Angeles, West Hollywood all have programs in place that incentivize the legalization of illegally constructed units.

ENVIRONMENTAL SUSTAINABILITY

Preserving dwelling units, rather than demolishing them is consistent with our Climate Action Goals



Referral to City Manager to Return to Council with an Amnesty Program for  
Legalizing Unpermitted Dwelling Units

CONSENT CALENDAR  
April 23, 2019

CONTACT PERSON

Councilmember Wengraf

Council District 6

510-981-7160



Office of the Mayor

CONSENT CALENDAR

April 30, 2019

To: Honorable Mayor and Members of the City Council

From: Mayor Jesse Arreguín

Subject: Prioritizing Affordable Housing for Homeless

RECOMMENDATION

Refer to the Housing Advisory Commission to develop an ordinance to set aside 20% of affordable housing units for individuals experiencing homelessness, with preference given to BUSD students.

BACKGROUND

An estimated 1,000 individuals experience homelessness in Berkeley in any given day, not including people who couch surf or live in vehicles. Over the course of a year, it is estimated up to 2,000 people will experience homelessness in Berkeley. The homeless population has been growing by approximately 10% every two years. In a meeting of the 2x2 Committee (Council + School Board) in October 2017, it was reported that 291 students experience some form of homelessness, ranging from temporary housing with other families (231 students) to completely unsheltered (8).

In April 2017, the City Council voted to have staff develop the 1,000 Person Plan to create a plan to house 1,000 homeless residents by 2028. In the referral response to the 1,000 Person Plan, staff conclude that “the single largest “missing piece” in Berkeley’s efforts to end homelessness is permanently subsidized, affordable housing.” One of the four strategic goals proposed in the response is the need to accelerate the creation of affordable housing, with a focus on alleviating homelessness.

All homeless services providers in Alameda County must adhere to the Housing First policy. Major programs in Berkeley, such as the Hub and STAIR Center, prioritize Housing First by working to achieve permanent housing for the highest-needs clients. While following a Housing First model is essential in the task of ending homelessness, it is meaningless if there is no means of providing the housing. The high cost of housing, even with an extreme level of subsidies, means being able to maintain rent payments is unattainable for many. The average rent of a 2 bedroom unit in Berkeley is three times as much as in Salt Lake City, which is often cited as an ideal example for Housing First policies. The reality is as long as there is a lack of affordable housing in Berkeley and the Bay Area, the challenges of homelessness will continue.

RATIONALE FOR RECOMMENDATION

Prioritizing housing for the homeless is an important step in addressing the homeless crisis. Reducing and ultimately eliminating homelessness of BUSD students is crucial in creating an environment that is conducive for learning.

FINANCIAL IMPLICATIONS

Staff Time

ENVIRONMENTAL SUSTAINABILITY

Not applicable.

CONTACT PERSON

Mayor Jesse Arreguín      510-981-7100