

Housing Advisory Commission

HOUSING ADVISORY COMMISSION

AGENDA

Regular Meeting

Thursday, November 3, 2016
7:00 pm

South Berkeley Senior Center

2939 Ellis Street

Secretary Amy Davidson, (510) 981-5406

All agenda items are for discussion and possible action.

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

PRELIMINARY MATTERS

1. Roll Call
2. Agenda Approval
3. Public Comment
4. Approval of the October 6, 2016 Draft Meeting Minutes (*Attachment 1*)

UPDATES / ACTION ITEMS

5. **Review Substantial Amendment to the City of Berkeley's PY2015 (FY2016) Annual Action Plan to Add \$210,000 in Community Development Block Grant (CDBG) Funding for Public Facility Improvements to the Mental Health Clinic – Kristen Lee, HHCS (report to be delivered at meeting)**
6. **Recommending Council Consider Funding for Oregon Park Senior Apartments – Alejandro Soto-Vigil (Attachment 2)**
7. **Small Sites Program Information Report – Amy Davidson (Attachment 3)**
8. **Subcommittee Reports**
9. **Update on Council Items – All/Staff**
 - a. Housing Action Plan – November 1
 - b. Acton Courtyard settlement – November 29
 - c. HAC Moderate Income Housing Strategies – December 13
 - d. Review City-owned property for development potential
 - e. Small Sites Program information report
10. **Future Items – all items and dates are tentative**
 - a. Approve 2017 Meeting Calendar (December)
 - b. Elect Chair and Vice-Chair (February)
 - c. 2017 Work Plan (February)
 - d. Single point of entry for below market rate units and City enforcement

11. Announcements / Information Items

- a. **White House Housing Development Toolkit (September 2016)**
https://www.whitehouse.gov/sites/whitehouse.gov/files/images/Housing_Development_Toolkit%20f.2.pdf
- b. **McKinsey & Company, Closing California's Housing Gap (October 2016),**
<http://www.mckinsey.com/global-themes/urbanization/closing-californias-housing-gap>

12. Adjourn

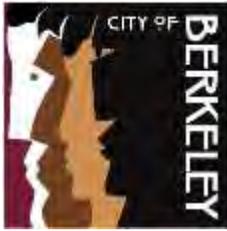
ATTACHMENTS

1. Draft October 6, 2016 Meeting Minutes
2. Support for Oregon Park Senior Apartments
3. Small Sites Program information report
4. Information: McKinsey & Company, Closing California's Housing Gap (brief)

Written material may be viewed in advance of the meeting at HHCS, 2180 Milvia Street, 2nd Floor, during working hours.

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 981-6342 (V) or 981-6345 (TDD) at least three business days before the meeting date. Please refrain from wearing scented products to this meeting.

Communications to Berkeley boards, commissions or committees are public record and will become part of the City's electronic records, which are accessible through the City's website. **Please note: e-mail addresses, names, addresses, and other contact information are not required, but if included in any communication to a City board, commission or committee, will become part of the public record.** If you do not want your e-mail address or any other contact information to be made public, you may deliver communications via U.S. Postal Service or in person to the secretary of the relevant board, commission or committee. If you do not want your contact information included in the public record, please do not include that information in your communication. Please contact the secretary to the relevant board, commission or committee for further information.



HOUSING ADVISORY COMMISSION
Regular Meeting
Thursday, October 6, 2016

Housing Advisory Commission

Time: 7:02 p.m.

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

DRAFT MINUTES

PRELIMINARY MATTERS

1. Roll Call

Present: Garret Christensen (substitute for Diego Aguilar-Canabal), Tor Berg, Kathleen Crandall (7:05pm), Brendan Darrow, Marian Wolfe, Igor Tregub (7:04pm), Libby Lee-Egan (substitute for Jill Martinucci), Heidi Abramson

Absent: Diego Aguilar-Canabal (excused), Alejandro Soto-Vigil (excused), Jill Martinucci (excused)

Commissioners in attendance: 8 of 9

Staff Present: Amy Davidson, Paul Buddenhagen, Anjanette Scott

Members of the public in attendance: 2

Public Speakers: 1

2. Agenda Approval

Action: M/S/C (Darrow/ Ambramson) to approve agenda

Vote: Ayes: Abramson, Berg, Christensen, Crandall, Darrow, Lee-Egan, Tregub, and Wolfe. Noes: None. Abstain: None. Absent: Aguilar-Canabal (excused), Soto-Vigil (excused) and Martinucci (excused).

3. Public Comment

None.

4. Approval of July 7, 2016 Minutes

Action: M/S/C (Tregub/ Darrow) to approve minutes

Vote: Ayes: Abramson, Berg, Christensen, Crandall, Darrow, Lee-Egan, Tregub, and Wolfe. Noes: None. Abstain: None. Absent: Aguilar-Canabal (excused), Soto-Vigil (excused) and Martinucci (excused).

5. Approval of September 1, 2016 Minutes

Action: M/S/C (Darrow/ Berg) to approve minutes

Vote: Ayes: Abramson, Berg, Christensen, Crandall, Darrow, Lee-Egan, Tregub, and Wolfe. Noes: None. Abstain: None. Absent: Aguilar-Canabal (excused), Soto-Vigil (excused) and Martinucci (excused).

UPDATES / ACTION ITEMS

6. Appoint 3 Commissioners to a capital improvements subcommittee

Amy Davidson explained that the subcommittee would recommend projects for funding if an infrastructure bond is approved by the voters in the November election.

Action: M/S/C (Tregub/ Darrow) to nominate Abramson, Crandall, and Wolfe to subcommittee

Vote: Ayes: Abramson, Berg, Christensen, Crandall, Darrow, Lee-Egan, Tregub, and Wolfe. Noes: None. Abstain: None. Absent: Aguilar-Canabal (excused), Soto-Vigil (excused) and Martinucci (excused).

7. Smokefree Housing Ordinance Implementation – (Attachment 3)

8. Subcommittee Reports

a. Moderate Income Housing Strategies – Marian Wolfe (Attachment 4)

Public Speakers: 1

Action: M/S/C (Tregub/ Wolfe) to accept strategies in the report with amendments to add a paragraph to page 17 regarding collaborative/shared housing and add to the memo going to Council and the chart on page 27 that the permit process for ADUs should be streamlined

Vote: Ayes: Abramson, Berg, Christensen, Crandall, Darrow, Tregub, Lee-Egan, and Wolfe. Noes: None. Abstain: None. Absent: Aguilar-Canabal (excused), Soto-Vigil (excused) and Martinucci (excused).

9. Update on Council Items – All/Staff

10. Future Items – all items and dates are tentative

11. Announcements / Information Items

Adjourned at 8:27 pm

Approved on November 3, 2016

_____, Amy Davidson, Secretary

To: Housing Advisory Commission
From: Commissioner Soto-Vigil
Date: November 3, 2016
Re: Support for Oregon Park Senior Apartments

Recommendation:

That the Housing Advisory Commission request the City Council to consider allocation of a 0% interest loan to the Oregon Park Senior Apartments for emergency improvements.

Mission of Housing Advisory Commission:

Advises Council on housing matters; advises Council on Community Development Block Grant (CDBG) and Emergency Shelter Grant (ESG) programs and funding allocations; hears and determines matters regarding the abatement of substandard and deficient buildings; serves as an appeals board for tenants and property owners regarding relocation and correction of code violations; advises Council on Housing Trust Fund (HTF) allocations.

Background:

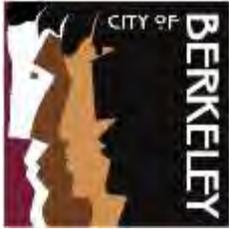
In October 2016, residents from the Oregon Park Senior Apartments (OPSA) twice met with Commissioner Soto-Vigil to discuss how to get financial assistance from the City Council for necessary and immediate emergency improvements. The OPSA complex is 43 years old and has, like many buildings made in the 1973, requires serious repair. In specific the sewer, roof and sidewalk must be repaired as soon as possible before the City fines OPSA and costs for maintenance increases.

The OPSA is a non-profit 501(c)3 and in the past received financial support from the City. In 2014, disputes within the OPSA Board Directors has led to serious financial problems. This dispute became a costly legal dispute that has hampered the OPSA's ability to make funding allocations from its budget to do necessary repairs for the sewer, roof and sidewalk. While the legal dispute is obviously relevant, the HAC must focus on support for OPSA and its 60 plus senior residents.

The HAC is charged with advising the Council on housing matters and funding allocations. It makes sense that the HAC support the OPSA Board of Directors and the OPSA tenants get an opportunity to plead its case in front of the City Council. In order to do so, we must recommendation that the Council consider allocation of a 0% interest loan to the OPSA to make sewer, roof and sidewalk.

Attachments to be delivered:

1. Notice from City of Berkeley
2. Bid Chart
3. Repayment Projections Chart



Health, Housing & Community Services

To: Housing Advisory Commission
From: Amy Davidson, Senior Community Development Project Coordinator
Subject: Referral Response: Establishment of Affordable Housing Small Sites Program
Date: October 27, 2016

This report responds to a referral that originally appeared on the agenda of the December 15, 2015 Council meeting and was sponsored by Councilmember Arreguin. The HAC supported this referred at its January 2016 meeting. The referral asked staff to look into the feasibility of creating a Small Sites Program to allow non-profits to purchase small multi-family buildings (5-25 units) to create and preserve affordable housing, with an emphasis on properties with a high potential for conversion to cooperative homeownership. The second point of the referral, an inventory of City-owned land and other land owned by public agencies in the City of Berkeley which could potentially be used to create below-market rate housing, is being handled separately.

The referral referenced a Small Sites Program administered by the City of San Francisco, so staff reviewed that program's guidelines and spoke with the staff responsible for it. The program is intended to help stabilize 5 to 25 unit buildings that are occupied by low- to moderate-income tenants that are particularly susceptible to market pressure resulting in property sales, increased evictions and rising tenant rents. It funds rental housing, not mixed use projects or cooperative ownership. The income and rent calculations are complex; they keep existing tenants' rents low, allow new tenants with incomes up to 120% of area median income (AMI), and require the average income in each project to be at or below 80% of AMI.

The items San Francisco staff identified as essential to that program, which would be required to duplicate the program in Berkeley, follow and are discussed in more detail below:

1. Higher level of City funding per unit than the Housing Trust Fund has typically provided (\$300,000 to \$350,000 per unit);
2. A condensed and streamlined contract approval process to allow developers to compete against investors and other buyers;
3. Sufficiently increased staffing capacity to administer the loans and monitor the units for their affordability; and

4. Nonprofit development and management organizations with the interest and capacity to participate.

First, San Francisco reports these projects require higher levels of funding per unit because they are funded only by a first mortgage with favorable rates from a bank or Community Development Financial Institution (CDFI) and the City loan. Since they are not candidates for other subsidy programs including low income housing tax credits, they are more dependent on local funds—in San Francisco, \$300,000 to \$350,000 per unit

By comparison, in the past ten years, the City of Berkeley has funded Housing Trust Fund rehabilitation projects at an average of \$18,500 per unit and new construction projects at \$61,400 per unit. While this level of funding is lower than other cities' and has contributed to project delays, larger multifamily projects in Berkeley may need 35 to 70 percent as much funding as the Small Sites Program on a per unit basis (\$125,000 to \$250,000) to serve lower income populations. For example, BRIDGE is estimating a gap for local funding of \$126,000 per affordable unit and \$69,000 per supportive housing unit, in addition to the value of the ground lease, for its Berkeley Way project.

Berkeley may receive higher levels of revenue in the future, depending on whether and when the Harold Way project moves forward and the outcome for business license tax increases on the ballot in November (unknown at this writing in late October). In the highest-revenue scenario, assuming the Harold Way project proceeds, the adoption of Measures A1 in Alameda County and U1 in Berkeley, it could still take three or more years to accumulate the \$22 million in local funding that the Berkeley Way project would need to move forward. Initiating a new program before then would compete with Berkeley Way.

Second, San Francisco allows these loans to be approved at the staff level, without commission or Board of Supervisors review, so that projects can go from application to underwriting to closing within 90 days. With a cap of \$350,000 per unit up to 25 units, this means loans of up to \$8.75 million, larger than any Berkeley Housing Trust Fund loan ever made, are approved without any public meetings to review funding. San Francisco staff highlighted this as essential for allowing the nonprofits to be competitive for rental buildings on the market. Although staff did not identify a precedent for the City Manager approving loans on this scale without commission or Council participation, Council could authorize it by resolution.

Third, Berkeley would need additional staffing to be able to administer a new program. San Francisco has 1.6 FTE working on this program who have made 10 loans in two years (not including monitoring staff) and are seeking to add staff due to the intensive staffing needs of their small sites program. Although Berkeley would have a smaller volume of loans, program development and outreach tasks take the same amount of time regardless of loan volume. San Francisco staff are very involved in reviewing physical needs inspections and approving each rehabilitation scope of work to ensure

that funded projects will not immediately need more City funds. In addition, San Francisco's required income limits are based on each individual's initial rent, not area median income, which requires intensive monitoring. Monitoring staff is not included in the 1.6 FTE.

Finally, San Francisco staff stressed the partnership of nonprofit organizations with expertise in rehabilitation at a comparable scale and the ability to work with individual tenants, who are losing their rent control protections but gaining City rent regulations in the process. Nonprofits are assigning two project managers to each project due to the intensive staffing needs; these positions are not funded through the program.

BACKGROUND

San Francisco's initial priority for this program was buildings undergoing or at-risk for Ellis Act evictions, and buildings with extremely low income tenants. Typically the developments have long-term rent controlled tenants paying very low rents. Although San Francisco originally intended not to raise tenant rents, they found that rents were commonly too low to sustain operations. The program set initial rents at up to 20% of tenant income, with a 2 to 3.5% increase annually thereafter. Tenant incomes are capped at 120% of Area Median Income, with a requirement to keep the average income in the building at 80% of Area Median Income. This assists existing tenants and requires intensive management and close monitoring to maintain.

POSSIBLE FUTURE ACTION

Council can refer any desired follow up to staff. In the past, the City has funded projects with 5 to 25 units through the Housing Trust Fund program, including projects that were intended to convert to cooperative ownership. A possible alternative to developing a dedicated program would be to refer to the Housing Advisory Commission to consider revisions to the Housing Trust Fund to encourage small scale and/or cooperative ownership projects.

IN BRIEF

A TOOL KIT TO CLOSE CALIFORNIA'S HOUSING GAP

As California real estate prices rise three times faster than household incomes, more than 50% of the state's households cannot afford the cost of housing. There are many ways to tackle this crisis. Our findings include:

- From 2009 to 2014, California added 544,000 households but only 467,000 net housing units. States such as New York have added nearly 80 percent more housing units than California relative to population growth. As a result, California's real estate prices have increased by more than 15 percent since 2009, but median income by only 5 percent.
- The state now has a \$50 billion to \$60 billion annual housing affordability gap. Virtually none of California's low-income and very-low-income households can afford the local cost of housing. Nearly 70 percent of these households would have to spend more than half of their income to afford the local cost of housing.
- California ranks 49th among the 50 US states for housing units per capita. Benchmarked against other states on a housing units per capita basis, California is short about two million units. To satisfy pent-up demand and meet the needs of a growing population, California needs to build 3.5 million homes by 2025.
- In dollar terms, California loses \$140 billion per year in output or 6 percent of state GDP due to the housing shortage: more than \$90 billion in missing construction investment and more than \$50 billion per year in missing consumption that is crowded out by housing costs.
- California's communities need to identify "housing hot spots" where large numbers of housing units could be built with attractive returns, change the rules of the game to enable housing development on this high-potential land, cut the cost and risk of producing housing, and ensure that low-income and vulnerable individuals who are priced out of the market have access to housing. MGI has identified 15 tools to achieve this (see infographic).
- California could add more than five million new housing units in "housing hot spots"—which is more than enough to close the state's housing gap. In aggregate, there is capacity to build as many as 225,000 housing units on vacant urban land that is already zoned for multifamily housing; 1.2 million to three million housing units within a half mile of major transit hubs; nearly 800,000 units by allowing homeowners to add units to their homes; nearly one million units on land zoned for multifamily development but underutilized; and more than 600,000 affordable single-family units on "adjacent" land currently dedicated to non-residential uses.
- To unlock these units, California needs both public and private sector innovations. Shortening the land-use approval process in California could reduce the cost of housing by more than \$12 billion through 2025 and accelerate project approval times by four months on average. Reducing construction permitting times could cut another \$1.6 billion, and raising construction productivity and deploying modular construction techniques up to another \$100 billion. Governments could reallocate \$10 billion a year in developer impact fees to other forms of revenue generation in order to lower housing costs. California could also incentivize local governments to approve already-planned-for housing to achieve 40,000 more units annually.
- Attracting new sources of capital to affordable housing—such as employers, social impact investors, and financial investors seeking low-risk real assets in one of the world's most dynamic economies—could finance more than 30,000 affordable units a year. Policy tools such as inclusionary zoning, linkage fees, and tax increment financing can capture some of the value created through market-driven real estate development and channel it into subsidized affordable housing. Regulation needs to take account of developers' risks and returns to ensure that affordable housing policies do not stifle new market-driven supply.
- California's housing gap can only be solved at the local level, and communities can follow a five-step process to close the local housing gap: create a housing delivery unit; define the local problem; identify local solutions and map "housing hot spots;" align stakeholders behind a local strategy; and execute the strategy and measure performance.

A TOOL KIT TO CLOSE CALIFORNIA'S HOUSING GAP:

3.5 MILLION HOMES BY 2025

THE SITUATION TODAY



HALF THE STATE'S HOUSEHOLDS ARE UNABLE TO AFFORD THE COST OF HOUSING IN THEIR LOCAL MARKET



\$50 billion
ANNUAL HOUSING AFFORDABILITY GAP

\$140 billion
LOST ECONOMIC OUTPUT PER YEAR

TOOLS TO CLOSE THE GAP

IDENTIFY "HOUSING HOT SPOTS"

- Build on vacant urban land already zoned for multifamily development
- Intensify housing around transit hubs
- Add units to existing single-family homes
- Add units to underutilized urban land zoned for multifamily development
- Develop affordable and adjacent single-family housing

REMOVE BARRIERS TO HOUSING DEVELOPMENT

- Incentivize local governments to approve already planned-for housing
- Accelerate land-use approvals

ENSURE HOUSING ACCESS

- Prioritize state and local funding for affordable housing
- Attract new investors in affordable housing
- Design regulations to boost affordable housing while maintaining investment attractiveness

UNLOCK SUPPLY BY CUTTING THE COST AND RISK OF PRODUCING HOUSING

- Raise construction productivity
- Deploy modular construction
- Accelerate construction permitting
- Reduce housing operating costs
- Align development impact fees with housing objectives