

Housing Advisory Commission

HOUSING ADVISORY COMMISSION

AGENDA

Regular Meeting

Thursday, October 6, 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 July 7, 2016 Draft Meeting Minutes (*Attachment 1*)
5. Approval of the September 1, 2016 Draft Meeting Minutes (*Attachment 2*)

UPDATES / ACTION ITEMS

6. **Appoint 3 Commissioners to a capital improvements subcommittee**
7. **Smokefree Housing Ordinance Implementation – (*Attachment 3*)**
8. **Subcommittee Reports**
 - a. **Moderate Income Housing Strategies – *Marian Wolfe (Attachment 4)***
9. **Update on Council Items – *All/Staff***
 - a. Housing Trust Fund, Berkeley Way, CDHO operating – September 27
 - b. Housing Action Plan – November 1
10. **Future Items – all items and dates are tentative**
 - a. Single point of entry for below market rate units and City enforcement
11. **Announcements / Information Items**
12. **Adjourn**

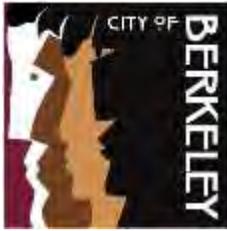
ATTACHMENTS

1. Draft July 7, 2016 Meeting Minutes
2. Draft September 1, 2016 Meeting Minutes
3. Smokefree Housing Ordinance Implementation
4. Moderate Income Housing Subcommittee Report
5. Information item – Acton Courtyard BMR Marketing Flyer
6. Correspondence – Loni Gray

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.

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HOUSING ADVISORY COMMISSION
Regular Meeting
Thursday, July 7, 2016

Housing Advisory Commission

Time: 7:18 p.m.

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

DRAFT MINUTES

PRELIMINARY MATTERS

1. Roll Call

Present: Heidi Abramson, Diego Aguilar-Canabal, Brendan Darrow (7:49), Jill Martinucci, Alejandro Soto-Vigil (7:36pm), Igor Tregub, and Marian Wolfe (left at 9:06).

Absent: Tor Berg, Kathleen Crandall (excused)

Commissioners in attendance: 7 of 9

Staff Present: Amy Davidson, Anjanette Scott, and Paul Buddenhagen

Members of the public in attendance: 6

Public Speakers: 2

2. Agenda Approval

Action: M/S/C (Abramson/Martinucci) to approve agenda

Vote: Ayes: Abramson, Aguilar-Canabal, Martinucci, Tregub, and Wolfe. Noes: None. Abstain: None. Absent: Soto-Vigil (came at 7:36, after vote), Darrow (came at 7:49 after vote), Crandall (excused), Berg.

3. Public Comment

Public speakers: 1

4. Approval of June 2, 2016 Minutes

Action: M/S/C (Wolfe/Aguilar-Canabal) to approve minutes.

Vote: Ayes: Abramson, Aguilar-Canabal, Martinucci, Tregub, and Wolfe. Noes: None. Abstain: None. Absent: Berg, Crandall (excused), Darrow (came at 7:49, after vote), and Soto-Vigil (came at 7:36, after vote).

UPDATES / ACTION ITEMS

5. Berkeley Way Project Proposal

Public Speakers: 1

Commissioner Wolfe disclosed her membership on the Resources for Community Development Board and recused herself.

Action: M/S/C (Tregub/Aguilar-Canabal) to support the project in concept, as presented. The HAC would like this project to be a high priority for the City. The HAC believes one level of public parking is sufficient replacement parking.

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

6. Community Housing Development Organization (CHDO) Operating Support for Resources for Community Development (RCD) and Satellite Affordable Housing Associates (SAHA)

Commissioner Wolfe disclosed her membership on the Resources for Community Development Board and recused herself.

Action: M/S/C (Darrow/Abramson) Approve staff's recommendation to provide \$28,115 of CHDO operating support to RCD and SAHA.

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

7. Housing Trust Fund Predevelopment Loan Recommendations

Commissioner Wolfe disclosed her membership on the Resources for Community Development Board and recused herself.

Action: M/S/C (Abramson/Martinucci) Approve staff's recommendation to provide \$25,000 of predevelopment funding for SAHA's Oxford Street Apartments.

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

Action: M/S/C (Soto-Vigil/Martinucci) Approve staff's recommendation to provide \$835,897 of predevelopment funding for BRIDGE's Berkeley Way project.

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

8. Housing Approval Process

Action: M/SC (Martinucci/Aguilar-Canabal) Send correspondence to Council requesting an assessment of the process to approve Planning permits for remodeling accessory dwelling units. Next year, a formal recommendation will be sent to Council when it reanalyzes its priorities. The last sentence in the attachment will be struck prior to being sent to Council.

Vote: Ayes: Abramson, Aguilar-Canabal, Martinucci, Tregub, and Wolfe. Noes: None. Abstain: None. Absent: Soto-Vigil (came at 7:36, after vote), Darrow (came at 7:49 after vote), Crandall (excused), Berg.

9. Subcommittee Reports

- a. **Moderate Income Housing Strategies**
- b. **Low Income Housing Strategies**

10. California Housing and Community Development Department Director Ben Metcalf's Comments to Nonprofit Housing Association Members

11. Results of City Council Referral Prioritization Process

12. Change in Berkeley Policy Interpretation: Use Permits, Density Bonus, and Affordable Housing Requirements

Tregub recommended that staff from the Planning Department or City Attorney's office attend a HAC meeting and explain the Density Bonus requirements and give a status update on the Local Implementation Ordinance.

13. Update on Council Items

14. Future Items – all items and dates are tentative

- a. **Added:** Waiving permit fees for BRIDGE Berkeley Way project.

15. Announcements

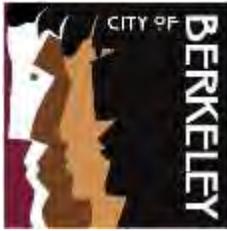
16. Adjourn

Action: M/S/C (Tregub/Aguilar-Canabal) to adjourn the meeting at 9:25 p.m.

Vote: Ayes: Abramson, Aguilar-Canabal, Darrow, Martinucci, Soto-Vigil, and Tregub. Noes: None. Abstain: None. Absent: Crandall, Berg, Wolfe (left at 9:06pm).

Approved on October 6 , 2016

_____, Amy Davidson, Secretary



HOUSING ADVISORY COMMISSION
Regular Meeting
Thursday, September 1, 2016

Housing Advisory Commission

Time: 7:03 p.m.

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

DRAFT MINUTES

PRELIMINARY MATTERS

1. Roll Call

Present: Diego Aguilar-Canabal, Tor Berg, Kathleen Crandall, Brendan Darrow, Alejandro Soto-Vigil, Marian Wolfe, and Christopher Yamas (substitute for Igor Tregub)

Absent: Heidi Abramson (unexcused), Jill Martinucci (excused), Igor Tregub (excused).

Commissioners in attendance: 7 of 9

Staff Present: Brown, Buddenhagen, Cowan, Davidson, Johnson, Lee, Talley, and Tran

Members of the public in attendance: 6

Public Speakers: 1

2. Agenda Approval

Action: M/S/C (Soto-Vigil/ Aguilar-Canabal) to approve agenda as amended (move item #13 ahead of #5 and move #9 after #6).

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

3. Public Comment

None.

4. Approval of July 7, 2016 Minutes

Commissioners noted that the minutes should list the agenda items in the order they were discussed, not in the order of the original agenda. Staff will correct the minutes and bring them back at the next meeting.

UPDATES / ACTION ITEMS

5. Community Health Commission's Recommendation on African American Holistic Resource Center in South Berkeley

Action: M/S/C (Soto-Vigil/Yamas) to include the Housing Advisory Commission as a supporter of the African American Holistic Resource Center.

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

6. Density Bonus Calculation

Public speakers: 1

7. Training on Conflicts of Interest for Commissioners

8. Review Substantial Amendment to the City of Berkeley's PY2015 (FY2016) Annual Action Plan to Add \$500,000 in Community Development Block Grant (CDBG) Funding for Public Facility Improvements to the South Berkeley Senior Center

Action: M/S/C (Soto-Vigil/Crandall) to support the staff recommendation that Council approve an amendment to the PY2016 Annual Action Plan to allow for a one-time allocation of \$500,000 in CDBG funds for one public facility improvement project at the South Berkeley Senior Center and to waive the permit fees for the project.

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

9. Potential Changes to Request for Proposals Process for Community Development Block Grant-Funded Community Facility Improvements

Action: M/S/C (Darrow/Wolfe) to approve shifting the Community Development Block Grant (CDBG) Community Facility Improvement Program request for proposal (RFP) process from an annual RFP to a rolling application process with a minimum threshold of \$100,000 per project and to include a provision to look at whether the needs of smaller organizations are being met in two years.

Vote: Ayes: Aguilar-Canabal, Berg, Crandall, Darrow, Wolfe, and Yamas. Noes: None. Abstain: None. Absent: Abramson (unexcused), Martinucci (excused), Soto-Vigil (left at 8:23 p.m.), and Tregub (excused).

10. Appoint 2-3 Commissioners to participate in a public hearing on community needs

Action: M/S/C (Darrow/Wolfe) to appoint Commissioners Berg, Soto-Vigil, and Tregub to participate in a public hearing on community needs.

Vote: Ayes: Aguilar-Canabal, Berg, Crandall, Darrow, Wolfe, and Yamas. Noes: None. Abstain: None. Absent: Abramson (unexcused), Martinucci (excused), Soto-Vigil (left at 8:23 p.m.), and Tregub (excused).

11. Appoint 3 Commissioners to a capital improvements subcommittee

Moved to October meeting agenda.

12. Accessory Buildings as Short Term Rentals

Action: M/S/C (Aguilar-Canabal/Darrow) to not take a position on the new definition of kitchen and to refer the Planning Commission to the HAC's previous recommendation on Short-Term Rentals.

Vote: Ayes: Aguilar-Canabal, Berg, Crandall, Darrow, Wolfe, and Yamas. Noes: None. Abstain: None. Absent: Abramson (unexcused), Martinucci (excused), Soto-Vigil (left at 8:23), and Tregub (excused).

13. Consolidated Annual Performance Report (CAPER) for HUD

14. Subcommittee Reports

- a. Moderate Income Housing Strategies
- b. Low Income Housing Strategies. Commissioners generally agreed that this subcommittee will go on hiatus until 2017, and will then work on referrals from the Commission.

15. Update on Council Items

16. Future Items

17. Announcements

18. Adjourn

Action: M/S/C (Darrow/Aguilar-Canabal) to adjourn the meeting at 9:10 p.m.

Vote: Ayes: Aguilar-Canabal, Berg, Crandall, Darrow, Wolfe and Yamas. Noes: None. Abstain: None. Absent: Abramson (unexcused), Martinucci (excused), Soto-Vigil (left at 8:23 p.m.), and Tregub (excused).

Approved on October 6, 2016

_____, Amy Davidson, Secretary



Health, Housing &
Community Services Department
Public Health Division

Smoke Free Multi Unit Housing Ordinance

Evaluation Report

September 2017

Background

On May 1, 2014, Berkeley's smoke free housing ordinance went into effect. The ordinance prohibits smoking inside all units, including balconies, porches, and decks in all attached housing of two units or more. The ordinance also requires that all newly initiated leases must include no-smoking provisions and that condominium buyers must be made aware of the city's restrictions. Existing tenants have been offered a voluntary no-smoking lease addendum by landlords.

Over 53% of all Berkeley residents live in multi-unit housing structures (2010 Census) and according to the 2012 CA Health Interview Survey, over 90% of Bay Area adults do not smoke in their own units (2012 California Health Interview Survey –CHIS).

The 2013 Berkeley Health Status Report shows that African American children under 5 years of age in Berkeley are hospitalized at rates far exceeding other children, and continue to have the highest asthma hospitalization rates throughout their school-age years. Exposure to secondhand smoke exacerbates and in some cases, actually causes asthma. The role of the Public Health Division is to improve health outcomes and eliminate health inequities, which includes prohibiting smoking – including vaping – in multi-unit housing complexes.

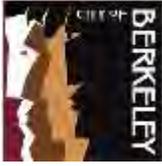
All Berkeley property owners of multi-unit housing as well as owners of attached housing were mailed packets notifying them of the law.

Complaint Summary

Since the smoke free ordinance went into effect, the Public Health Division has received a total 53 initial complaints that have resulted in a warning notice sent to the individual in violation of the ordinance. Of these complaints, 5 have progressed to the Code Enforcement Unit for citations.

Evaluation Activity Findings

The Tobacco Prevention program team conducted a series of evaluation activities to determine the effectiveness of smoke free housing ordinance.



Health, Housing &
Community Services Department
Public Health Division

Observational Survey

Between January – June 2016, the City of Berkeley’s Tobacco Program completed 67 Smoke Free Multi Unit (SFMUH) observational surveys on multi-unit housing (MUH) site with 10 or more units. The observational survey captured various data included visible SFMUH ordinance signage, tobacco litter on the premises, and the observation of smokers on the property. Of the 67 sites observed, 13% (9) of MUH sites had posted SFMUH signs that were visible from the street. Of the 67 sites, we found 18% (12) of MUH sites had smokers present on the MUH property. We found people smoking either at the entrance at the property or on the sidewalk in front of the property. Of the 67 MUH sites surveyed, 63% (42) of sites had tobacco litter on the premises and/or front sidewalk.

Key Informant Interviews

A total of 10 individuals were interviewed using a key informant interview tool developed using a template from the Tobacco Control Evaluation Center, based in UC Davis. Five of the individuals were tenants, and the other five were property owners/landlords. The individuals had leased or owned the property for a range of 3-13 years, though one individual was a property owner of a multi-unit housing complex for greater than 40 years.

Of the individuals interviewed, 50% expressed that they had experienced no problems with regards to implementation or enforcement of the smoke-free multi-unit housing (SFMUH) ordinance. When asked about any barriers or challenges they had experienced, two tenants cited the City’s limitations with conducting active enforcement and ensuring that citations were paid, and two individuals stated that they still noticed tenants smoking in the complex despite the posted signage. These results indicate that there may be a need for new enforcement strategies.

When asked about what they thought could be considered as new strategies for implementation and/or enforcement of the ordinance, a few respondents suggested that the City accept complaints from residents of neighboring housing units, since often times, the smoke from one unit drifts across a walkway or common area to a neighboring, separate dwelling. One tenant also suggested that information and/or signage be provided/translated in other languages besides English and Spanish.

Most individuals appreciated the signage that the Tobacco Prevention Program provides to landlords and property owners at no cost, and all those interviewed indicated that adequate signage citing the ordinance was posted in and around the MUH they owned/inhabited.



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Public Health Division

Limitations

With regards to the observational survey, program staff identified factors that limited the accuracy of the overall data. For example, program staff were unable to conduct observations on the property sites without trespassing, and were therefore unable to identify whether or not the people who were smoking were residents of the MUH site. Program staff were also unable to accurately note whether the properties observed had adequate signage posted.

With regards to the key informant interviews, the individuals interviewed are not a representative sample of the Berkeley community, and thus reflect opinions that may or may not be limited to a small subset of the population.

DATE: November 3, 2016
TO: Members of the Berkeley City Council
FROM: Bren Darrow, Chair, Housing Advisory Commission
RE: **Recommendations to Increase the Supply of Housing Affordable to Moderate-Income Households**

As part of the Housing Advisory Commission's (HAC) strategic planning work in 2016, the HAC formed a moderate-income subcommittee specifically designed to address issues of housing affordability for moderate-income households. Although this income group is considered "over income" for affordable housing built with federal and state subsidies, it also cannot afford market rate housing available in Berkeley.

The subcommittee met monthly starting in March 2016. A draft report was discussed at the HAC's October 2016 regular meeting. The attached, final report represents the HAC's recommended policies. Several of these overlap with priorities already established by the Council and include the following:

Renter Policies

- Encourage owners to build ADU's that would be rented
- Encourage homeowners with excess capacity to rent rooms

Reduction of Development Costs for Owners or Renters

- Land trusts
- Cooperative form of ownership
- Construction of affordable housing on surplus public land

The next step will be to identify follow-up work that can implement proposed policies.

October 2016 Draft Moderate-Income Housing Advisory Commission Subcommittee Report

I. Introduction and Purpose of Report

This report discusses housing policies for the moderate-income households that were assessed by a subcommittee of the Housing Advisory Commission (HAC) during Spring and Summer of 2016. The HAC's Strategic Planning Process identified moderate-income households as one target group that is not presently being served by the affordable housing programs that benefit very low- and low-income households. The recommended strategies to the City Council include ways to lower costs for moderate-income renters and owners.

Renter Policies

- Encourage owners to build ADU's that would be rented
- Encourage homeowners with excess capacity to rent rooms

Reduction of Development Costs for Owners or Renters

- Land trusts
- Cooperative form of ownership
- Construction of affordable housing on surplus public land

Appendices attached to this report provide detailed supplemental information on affordable rents and sales prices, a draft survey to gauge interest among owners to rent out rooms, and excerpts from the Council's priority list adopted in May 2016.

The strategic planning effort explored additional strategies which are not recommended at this time. All strategies considered are discussed in this report. Also, because it is important to understand affordability for moderate-income households, this report begins by discussing incomes and affordable rents and sales prices which are useful in evaluating the strategies considered.

II. Affordable Rents and Sales Prices

Incomes

The first step in identifying sales prices and rents that could be affordable to moderate-income households in Berkeley is to estimate prices and rents based on household incomes. Average median income (AMI) information is provided by the Department of Housing and Urban Development (HUD) on an annual basis for all counties in California. The income levels listed here are based on Berkeley's rounded average household size of 2.5 persons.

<u>Income Group</u>	<u>Moderate Income</u>
80% AMI	\$66,230
90% AMI	\$74,160
100% AMI	\$82,900
120% AMI	\$99,480

Based on this income range of between \$66,230 and \$99,480, affordable sales prices for moderate-income households are between \$255,000 and \$434,000, and affordable rents range between \$1,650 and \$2,500.

How do these incomes compare with salaries paid for public jobs in the City of Berkeley? One good example was provided by the Berkeley Unified School District (BUSD). Assuming that households headed by teachers do not include additional wage-earners, the salary ranges listed below help us understand how much teachers could afford to pay for housing, assuming a single wage-earner in the household.

- Beginning Salary: \$50,000 - \$60,000 (Below 80% AMI)
- Middle Range Salary: \$60,000 - \$75,000 (Between 80% and 90% AMI)
- High Range Salary: \$75,000 - \$90,000 (Above 90% AMI, but below 120% AMI)

In other words, BUSD teachers' starting salaries are below moderate-income (they are actually lower-income), and even the highest paid teachers earn moderate-income wages (and not middle-income wages).

2016 Rents in New Apartments and Sales Prices of Existing Condominiums and Single Family Houses

In cities that do not experience high increases in rents and sales prices, moderate-income households generally can afford to rent or purchase modest housing. Berkeley's housing market has been rapidly appreciating so that market housing for moderate-income households has become less affordable unless these households already occupy units and do not need to move. It is much harder for moderate-income households to move into Berkeley and pay market rate prices.

To substantiate the need for more moderate-income housing, this report examined rents charged at some of the newly built apartment buildings, as well as selling prices of existing condominiums and single family homes since the beginning of 2016.

Market Rents

Rents at four new projects were examined. These four projects are Higby, Stranda, Avalon, and Aquatic. This is not a survey of all available rentals, but provides an introduction to market rate rents currently charged in Berkeley

Rents on New Apartments

	Rent Ranges				Average
Studio	\$2,450	\$2,595			\$2,523
One-Bedroom	\$3,200	\$2,595	\$3,125	\$3,375	\$3,074
Two-Bedrooms	\$4,200	\$3,395			\$3,798
Three-Bedrooms	\$5,000				\$5,000

Sources: Higby (3015 San Pablo), Stranda (MLK and Dwight Way), Avalon (651 Addison), and Aquatic (2001 Fifth St.) Websites, accessed in early July 2016.

The only affordable rent to moderate-income households at 120% AMI would be the studio apartment. Larger units are unaffordable to the 120% AMI households, and all unit sizes are unaffordable to households between 80% and 100% AMI.

Market Sales Prices

Berkeley has a more active single family home market than a condominium market. During the first five months of 2016, 41 condominiums were sold, and 290 single family homes were sold. The median price of a condominiums sold was \$595,000 and the median price of single family homes sold was \$1,100,000. For this same period, average prices for condominiums was \$638,141 and for single family homes the average price was \$1,201,181. For both condominiums and single family homes, the median and average sales prices were above the listed prices.¹ These prices are well-above the ability of even a moderate-income household to afford.

According to the sales data, there were three condominium units that sold at or below the price that could be affordable to a moderate-income household (\$434,000). These were small units ranging in size between 450 SF and 744 SF. (In comparison, the average size of all condominium units sold during this period was 1,057 SF.)

Conclusion about Moderate-Income Housing Affordability

Neither new rentals nor sales of existing units are affordable to moderate-income households in Berkeley at the upper end of the income category (120% AMI). The remainder of this report addresses possible ways to reduce housing costs for the moderate-income group. There are two

¹ Information source is a Comparative Market Analysis (CMA) provided by a subcommittee member who works as a realtor in Berkeley.

primary approaches to consider. The first is to build housing that is affordable, and the second is additional ways to lower costs of existing rental and for-sale housing in Berkeley.

III. Options to Reduce Costs Specifically for Renters

Identifying more rental units that could serve the moderate-income market is the principal strategy considered at this time. Two strategies are presented. The first is to increase the supply of accessory dwelling units and the second it to encourage owners with excess capacity to rent out rooms within their homes. These strategies are presented here.

Accessory Dwelling Units

Background

Accessory dwelling units (ADU) are independent units that can either be part of an existing unit (as long as there is a separate entrance not located on the front of the primary unit) or it can be a detached unit. The minimum size is 250 SF, and the maximum size is 750 SF.² Berkeley's Municipal Code contains other requirements related to lot size, parking and set-back requirements.³ According to a communication from Councilmember Linda Maio to the City Council (dated April 30, 2013), "ADU's (i.e., backyard cottages or second units) enable communities to grow internally as opposed to externally, providing more housing and a diversity of housing options without consuming any additional green space...ADU's provide an affordable opportunity to families of several generations to live close to one another."

Recently, the City has become more interested in ADU's as a way of expanding housing supply. In 2015, the City Council revised the municipal code regulating ADU's to encourage their development. For example, parking requirements have been relaxed so that locations near transit do not require parking, and tandem parking is allowed. The City is encouraging these units which can be rented out (but not as short term rentals). Furthermore, newly built units would not be subject to rent control.

However, not many new ADU's are under development in spite of this policy support. In fact, only fourteen ADU's have been permitted since these new standards were adopted, and so far the City does not know how many have been built. (There is no tracking system.) One of the City's priorities now to expand affordable housing supply is to study the situation and develop strategies to encourage the creation of ADU's. Appendix C to this report references the Council priorities (facilitating the permitting process) that could make it easier for owners to build ADU's.

² <http://www.codepublishing.com/CA/Berkeley/> - 23D.10.040 ADU Standards

³ ADU's constructed after 1980 are exempt from rent control. ADU's built before 1980 which are located in either an owner-occupied duplex or an owner-occupied single family home as of 1979 are also exempt from rent control as long as the owner lives there.

Potential Strategy to Encourage More ADU's

Based on a review of accomplishments so far and outreach to proponents of ADU's, the following strategy could help encourage more owners to build ADU's:

- Create a symposium of all interested parties that have been involved in this policy and undertake a “brainstorming session.”
- Develop feasible short term and long term goals and steps for implementation.
- Create a list of items to be discussed at the different levels of government and utility providers.
- Create a marketing plan to promote the ease of building or creating an ADU. This plan could also provide suggestions regarding financing of construction costs.⁴

Greater Utilization of Owner-Occupied Housing

Similar to ADU's, the provision of additional rental housing through “home-sharing” is an individual owner's decision. The benefit to the owner is additional income, which could be particularly beneficial to an owner who lives on a fixed income. At this time, it is not possible to know how many property owners could be interested in this approach. Therefore, additional research is needed.

The first step would be to survey potential owners. A brief list of potential questions is presented in an Appendix to this report. At this time, the use of Survey Monkey could be one approach. Outreach to places such as the City's Senior Centers, places of worship and other venues where older owners congregate could be considered. Then, based on the results of this survey, a list of potential owners (assuming confidentiality) could be developed and made available to potential renters who could check for available spaces. Since this is a very new strategy, more work is needed to learn whether this could be a useful strategy for Berkeley. Most importantly, we would need to identify what organization or office could assume responsibility. This leadership role is yet to be identified. Ideally, an organization (and not the City) could be identified that could assume the responsibility of developing and operating a program to connect owners with potential renters.

IV. Options to Reduce Costs Specifically for Owners

Encourage Condominium Units

Since condominiums are lower in price than single family homes, this policy could be useful in lowering ownership costs. In fact, as cited above, the median price of condominiums sold in the first part of 2016 in Berkeley was \$595,000 which is significantly lower than the median price of a single family house during this same time period which was \$1,100,000. However, these median prices are still not affordable to moderate-income households. However, given that

⁴ It is estimated that costs for an ADU could range between \$150,000 and \$350,000.

median prices for condominiums are approximately half the price of single family homes, this strategy is still considered in this report

Encourage Condominium Units through Conversion of Rental Units

The change in tenure of a rental unit to an ownership unit is referred to as a condominium conversion. By converting existing rental housing to ownership housing, the supply of ownership housing is increased.

The Condominium Conversion Ordinance (CCO) BMC.21.28 was completely overhauled in 2008/2009. The CCO now requires an annual report to Council about the total number of units converted and revenue received from the Affordable Housing Mitigation Fees. CCO limits conversion to 100 units per year accumulative to 200 in a given year. The most recent report (November 17, 2015) reported that a total of 175 units (out of 800 allowable over this time period) have been approved for conversion. Note: The CCO covers multi-unit residential buildings not already mapped for condominiums. A conversion application is available on the City's website.⁵

However, there can be community opposition to conversions, since conversions result in a decrease in rental housing supply. In fact, the City acknowledges this concern in the municipal code that authorizes conversions.

Conversions permitted by this chapter will diminish the supply of rental housing affordable to low-income households, thereby creating undue hardships for low-income residents displaced by conversion, and will otherwise adversely affect the availability and cost of housing affordable to low-income families throughout the City.⁶

A majority of the units' converted (130 out of 175 units) paid housing mitigation fees into the City's Housing Trust Fund. Total fees collected thus far are \$1,770,421 or approximately \$13,620 per unit converted.

Encourage Condominium Units through New Construction

Construction of new condominium units bypasses the reduction in rental housing stock that occurs with a conversion approach. In fact, many of the multifamily properties built after 1978 are not subject to rent control, and many have been built with underlying condominium maps. While lenders had required that new rental units built between 2000 and 2009 have these maps (as insurance against a soft rental market), lenders no longer require these maps. As of the end of May 2016, there are 513 occupied units, built since 2002, in a total of seven projects with a

⁵http://www.ci.berkeley.ca.us/uploadedFiles/Online_Service_Center/Planning/Condo%20Conversion%20Application%20Packet%20updated%20080210.pdf

⁶ BMC.21.28.020.C.2.

condo map (some BMR but mostly market rate). Also, there are 155 units under construction at 2037 Parker and 48 units under construction at 824 University – both projects have filed for a condominium map and are waiting for approvals. Tentatively, these additional units could be added to the 513 units, mentioned above.

In many cities in California, newly developed condominium projects are rented for ten years before they may be sold, since developers, architects and contractors face a ten-year warranty period required under SB 800.⁷ High insurance costs would be needed if these units were sold within the ten-year period. However, Berkeley's units have not been converted to ownership units, even though they are exempt from the condominium conversion fees. One possible explanation is that in Berkeley's strong rental market, the after-tax profit from rental housing surpasses profits to be made from selling the units to individual owners. If market conditions change, this preference could change.

Condominium Recommendation

Although condominium units are less costly than single family units, expanding the supply of these units is problematic. Multifamily developers always have the option of building condominium units for sale. If Berkeley developers are primarily building rental units, it is likely because the rental market is much stronger than the ownership market for multifamily units.

Regarding conversion, there are high costs associated with conversion of rental units to condominiums. Aside from the rehabilitation costs that most sellers face, there are also fees that sellers need to pay which include the payment of a Housing Mitigation Fee as well as an application fee of between \$20,000 and \$30,000 per unit. According to a city staff member, the regulations regarding conversion were updated in large part to accommodate conversion for Tenants-in-Common (TIC) and not because there were multifamily property owners that wished to exit the rental market.

First-Time Homebuyer Program

A first-time homebuyer program allows buyers who qualify (assuming a good credit history) to pay a lower down payment (generally 5% of the purchase price). Berkeley does not currently operate such a program; however, the State of California through CalHFA does operate a program.⁸ CalHFA does not accept applications directly. A CalHFA approved Lender qualifies buyers for these loans. There is a sales price limit of \$600,000 under this program.

It is also possible to combine a first-time homebuyer loan with the Mortgage Credit Certificate program (MCC) which provides a credit against a buyer's income taxes to reduce costs of ownership even further. While there is not a sales price limit for the MCC program, there is an

⁷ ftp://www.leginfo.ca.gov/pub/01-02/bill/sen/sb_0751-0800/sb_800_bill_20020920_chaptered.html

⁸ <http://www.calhfa.ca.gov/homebuyer/borrower.htm> accessed on August 24, 2016.

income limit. For 2016, the Alameda County income limit is \$117,000 for a household of one to two persons, and \$136,500 for a household of three or more persons.

Neither of these programs has unlimited funding, so once the annual limit has been reached within the State of California, it is not possible for additional buyers to apply to the program, until additional funding is authorized.

The City of Berkeley could provide outreach to these programs to both local lending institutions and local realtors. However, given the sales price limit of \$600,000, there are currently few condominiums and virtually no single family homes which qualify, given the sales prices cited above.

Alternative Forms of Ownership

Another way to reduce housing costs is to consider alternative forms of ownership. Some Berkeley residents have already benefitted from these approaches which include tenants-in-common and co-operative ownership.

Tenants-in-Common: While a tenants-in-common approach is similar to a condominium conversion, there are some differences. With a condominium conversion, an individual investor may buy a rental property, pay required fees and then after complying with other requirements can convert the rental units into condominium units. This investor then sells these units to new owners. With a tenant-in-common approach, a small group purchases the rental units, and each buyer lives in an individual unit as an owner of the unit. So there is no interim owner. This approach works well for smaller multifamily properties. Condominium conversion rules would apply to these properties.

Co-operative Form of Ownership: A property owned by a co-op does not have individual owners. Instead, owners buy shares of the co-op. In Berkeley, the primary use of co-operative housing has been student housing. There was also an affordable project referred to as UA Co-op, on 1471-1640 Addison Street. This development is now owned and operated by RCD. The advantage of a co-op, assuming it does not receive public funds, is that there is no restriction on income levels.

V. Options to Reduce Development Costs for Renters and Owners

At present, the primary way that the City of Berkeley and non-profit developers help very low- and low-income households afford housing is by constructing affordable housing through the use of targeted loan and grant programs that are available to benefit these income groups. However, moderate-income households do not qualify for this financial assistance. Therefore, other strategies need to be considered. These strategies include the following:

- Use of Surplus Land for Building Sites
- Community Land Trusts

Use of Surplus Land

Use of surplus school sites as well as other city owned sites has been authorized by AB 2135 which was signed into law in January 2015. In fact, the Non-Profit Housing Association (NPH) has developed a fact sheet on AB 2135.⁹ The City of Berkeley has also already added this policy (use of surplus land) to its list of priorities. (See Appendix C.) One of the conditions of AB 2135 is that 25% of the units to be built must be affordable to those earning 70% AMI or lower. However, this still allows three-quarters of any future units built on surplus land to be provided at costs that are affordable to moderate-income households.

One important issue to consider is how much money does the use of surplus land save? In other words, what is the advantage of using surplus land? It eliminates the land cost component, but we still need to consider financial feasibility, given all the other development costs and potential rents/sales prices that would be affordable.¹⁰ Also, there needs to be sufficient cash flow to address ongoing maintenance and the need for rehabilitation as the property ages – surplus land does not help with this. Although the use of surplus land does not make new construction affordable, another advantage of the use of surplus land is the identification of a building site.¹¹ (A lack of good sites for affordable housing has become more problematic in Berkeley during the current building cycle due to competition with market rate builders.)

Some cities, for example, the City of Oakland, view city-owned land as a source of revenue. However, selling these sites for market-rate development can be controversial, as observed in 2015 on a City-owned site near Lake Merritt.¹² However, if Berkeley were to sponsor a development that included units affordable to both low- and moderate-income households, the use of city-owned land could be less controversial.

Since the use of “free” land does not significantly reduce costs, it is likely that Berkeley’s HTF funds would be needed if moderate-income units would be included in a new project. Leveraging of state and federal sources of housing subsidies works only for those units that would be affordable to very low- and low-income households.¹³

⁹ <http://nonprophousing.org/wp-content/uploads/NPH-AB-2135-Surplus-Land-Fact-Sheet1.pdf>

¹⁰ Based on a multifamily pro forma (2015) for a multifamily development in Jack London Square/North Oakland area, assuming one parking space per unit and a five to six story building built over podium parking, the land component represented approximately eight percent of total costs. The development cost per unit, once the land costs are subtracted, would decrease from \$419,785 to \$387,085.

¹¹ A lack of good sites for affordable housing has become more problematic in Berkeley during the current building cycle due to competition with market rate builders.

¹² <http://www.bizjournals.com/sanfrancisco/blog/real-estate/2016/06/oakland-lake-merritt-tower-urbancore-planning-vote.html>

¹³ Unfortunately, a development that provides a portion of units affordable to moderate-income households is unlikely to score highly for competitive funding sources, such as the Low-Income Housing Tax Credit Program.

Community Land Trusts

A community land trust (CLT) is “a private non-profit corporation created to acquire and hold land for the benefit of a community and provide secure affordable access to land and housing for community residents.” A community land trust purchases and holds land for the benefit of the land trust community. Through a land trust, existing residents can remain in their homes even if the area is experiencing gentrification. In particular, CLTs attempt to meet the needs of residents least served by the prevailing market. The land trust model of homeownership is a powerful tool for making housing affordable in the face of the increasingly widening gap between income and housing costs

The CLT model gives title to the land to a nonprofit and allows the nonprofit to lease the land to residents using a 99-year, renewable ground lease. The ground lease ensures that the housing will be permanently affordable, and the nonprofit provides ongoing project monitoring.¹⁴ Residents and their descendants can use the land for as long as they wish to live there.

The Northern California Land Trust (NCLT) is one of dozens of community land trusts revitalizing neighborhoods and creating affordable home ownership opportunities around the country. The City of Berkeley has used housing trust funds in the past to support the work of NCLT.

Land trusts provide access to land and housing for people who are otherwise priced out of the housing market. Some land trust homes are rented, but, when possible, the land trust helps people to purchase homes on affordable terms. The CLT model gives title to the land to a nonprofit and allows the nonprofit to lease the land to residents using a 99-year, renewable ground lease. The CLT model is also ideal for promoting cooperative ownership and local control over land and housing.

¹⁴ http://www.nclt.org/index.php?option=com_content&view=article&id=1&Itemid=152 accessed on August 24, 2016.

Appendix A: Calculating Affordable Rents and Sales Prices

In order to calculate affordable rents and sales prices presented in Table A-1 below, it is necessary to make assumptions regarding a number of variables. The assumptions and explanations for these assumptions are presented in this Appendix. These are based on commonly accepted approaches used in affordable housing programs in California. Where a definition deviates from standard practices, explanations are provided.

- Household Size – is used to define incomes. This report is based on an average household size of 2.5 persons, since according to the 2010 Census, the average household size was 2.17 in Berkeley, and the average family size was 2.81. In this report, these two values are averaged. This assumption does not radically impact results.
- For affordable rents – normally, affordable housing programs assume 30% of income for rent and utilities. However, since utility costs vary by the number of bedrooms and this analysis is not based directly on household size, we did not include utility deductions. This can result in a slight over-stating of the affordable rents. On the other hand, these estimates assume that 30% of income is spent on rents. In reality, some landlords are willing to go higher than 30%.
- For affordable sales prices – again we normally subtract out utility payments – but these have not been subtracted here, similar to the rent calculations. Also, routine affordability calculations generally include additional costs, such as property taxes, PMI for loans with less than a 20% down payment, and hazard insurance. Since these other costs depend on the sales prices of the houses, it becomes a more complicated analysis, requiring iterative modeling. So, to keep things simple, the only deduction for costs are HOA dues which are generally independent of the sales price. However, the calculations assume a lower percentage of income going for monthly payments (30%), and in reality, some lenders are willing to approve loans based on a higher percentage.
- For the 80% AMI group, this report assumed a CalHFA loan that requires only a 5% down payment. For the 90% group, the report assumed an 8% down payment (an approximate average of 5% and 10%), and for the others, price was estimating using a 10% down payment. In reality, most buyers at the 100% and 120% AMI levels would need to pay a down payment of 20%. So, these estimated sales prices could be lower than what these income groups could afford, if a 20% down payment is used. But, at least this information provides an initial estimate.
- All values have been rounded.

Table A-1: Affordability Table for Renters and Owners, 2016, City of Berkeley

Rental Affordability Calculations	80% AMI	90% AMI	100% AMI	120% AMI
Maximum Household Income	\$66,320	\$74,160	\$82,900	\$99,480
Maximum Available for Rent (Rounded Values)	\$1,650	\$1,800	\$2,100	\$2,500

Affordable Sales Price Calculations	80% AMI	90% AMI	100% AMI	120% AMI
Household Income	\$66,230	\$74,160	\$82,900	\$99,480
Maximum Monthly Housing Cost (30%)	\$1,656	\$1,865	\$2,073	\$2,487
Monthly Deductions				
HOA Dues	\$300	\$300	\$300	\$300
Property Taxes	\$0	\$0	\$0	\$0
Private Mortgage Insurance	\$0	\$0	\$0	\$0
Hazard and Casualty Insurance	\$0	\$0	\$0	\$0
Monthly Income Available for Mortgage Payment	\$1,356	\$1,565	\$1,773	\$2,187
Maximum Mortgage Amount	\$242,111	\$279,523	\$316,534	\$390,556
Down Payment	\$12,743	\$23,757	\$35,170	\$43,395
Maximum Affordable Sales Price	\$254,853	\$303,480	\$351,705	\$433,951
Rounded Prices	\$255,000	\$303,500	\$352,000	\$434,000

See Appendix A for assumptions.

Appendix B: Potential Survey to Gauge Homeowner Interest to Rent-Out Excess Space in Single Family Homes

One of the policy approaches recommended to the HAC to increase the availability of housing in Berkeley for moderate-income households would be to encourage owners living in houses to rent space in their units. This would increase the availability of housing supply as well as provide additional revenue to homeowners. Before the City might consider this approach, it would be helpful to learn if there is interest for this strategy from existing homeowners. The following questions could form the basis for a confidential survey that could be sponsored by the City of Berkeley (or nonprofit organization), possibly through survey monkey. As part of the introduction to the survey, it would be important to emphasize that the Rent Board would not get involved.

1. Questions about homes:
 - Is there under-utilized space in your home?
 - What is this space (Bedroom? Finished basement? Other building with bathroom? Other building with bathroom and kitchen? Some other space?)
 - Have you ever made this space available for someone (not a relative) to live in? If yes, was this use for free or did you charge a rent?
2. Homeowner Preferences:
 - Would you consider renting this space for six months to a year to the same tenant?
 - If you were to make it available, whom would you prefer to move in?

	Strong Preference	Neutral	Not interested
Student			
Retiree			
Physically challenged person			
Foster youth			
Single person			
Family with small children			
Out of towners staying for six months to a year			
Other Groups (Specify)			

- Do you prefer a tenant with or without a pet?
- If the person or persons interested in a short-term rental in your home posted a video on-line describing themselves, would you watch it as a way of deciding if you wanted to meet them?
- Would you meet with them if you liked what they had to say?
- Do you have additional suggestions of how the City could encourage you to allow someone to occupy your extra space in return for rental income?

Appendix C: Overlap with Council Referrals

Meeting Date	Title	Recommendation	Council District #	Responsible Department/ Division	Rank
10/27/2015	27. Green Affordable Housing Package (Continued from October 6, 2015)	Refer that the Planning Commission and City Manager investigate the following two policies as ways to reduce barriers for the creation of affordable housing. City Council requests that commissions and staff address and propose solutions and/or an implementation plan using the recommendations in the report by September 1, 2016. Policy 1: Designate units and funding for affordable housing by prioritizing housing over parking spaces in new developments. Policy 2: Remove the structural and procedural barriers to creating more housing.	8	Planning	1
4/5/2016	Analyzing All City-Owned Properties for Potential for Housing Development	Request that the City Manager explore the opportunity for the City of Berkeley to build housing on city-owned property: conduct an inventory of city owned properties and return to City Council as soon as possible with an evaluation and analysis of those properties that are appropriate for the development of affordable housing.	6	HHCS	2
1/26/2016	Customer Service Improvements to Land Use Permit Process	Direct staff to make structural improvements to the Zoning Ordinance, communication improvements to better explain complex technical and procedural elements to the public, and organizational improvements to the Land Use Planning Division; and authorize the issuance of a request for proposals (RFP) for the selection of consultants to make structural improvements to the Zoning Ordinance and develop graphic communication elements in an amount not to exceed \$300,000.	CMO	Planning	5
1/19/2016	City Manager Referral: Streamline the Permit Process for Housing Projects with a Majority or More Affordable Units	Refer to City Manager to create an ordinance that will streamline the permit process for housing projects with a majority or more affordable units if it includes at least 20 percent of units at 50% AMI, after consideration of Austin and Santa Fe policies and policies proposed in San Francisco.	7	Planning	12



Acton Courtyard

Acton Courtyard is located one mile west of the UC Berkeley campus and just a few blocks away from Fourth Street Shops, restaurants and parks. Enjoy a night in with a living space that is ideal for entertaining guests with high speed internet and basic cable. Spend time outdoors in the courtyard or on the rooftop with stunning panoramic views of Berkeley. Just three blocks from the North Berkeley BART station and close proximity to several bus stops makes commuting a breeze.

Acton Courtyard is pleased to offer a total of twenty-two (22) Below Market Rent (BMR) - Moderate Income apartment homes available for households that meet eligibility requirements. Studio, one and two bedroom homes will be offered as part of the City of Berkeley Inclusionary Housing Below Market Rent Program.

Acton Courtyard
1370 University Avenue
Berkeley, CA 94704

Leasing Office

1916 Oxford Street
Berkeley, CA 94704
510.849.2000

Sunday – Saturday
10:00 am – 5:00 pm

ActonBMR.com
BerkeleyBMR@eqr.com

How to Apply For a Moderate Income Unit

A lottery will determine the order in which applicants are selected to screen for homes in the Moderate Income BMR Program at Acton Courtyard. The application period will begin on Monday, September 11, 2016 and close on Monday, October 10, 2016 at 5pm local time. The BMR Lottery is expected to occur the week of October 10th. BMR - Moderate Income Program rental homes will be available for immediate occupancy post-lottery.

City of Berkeley Availability & Eligibility - Moderate Income Program

Unit Type	Available	Actual Sq. Ft.	Income Limit	Minimum Occupancy	BMR Moderate Tenant Rent	Utility Allowance	BMR Moderate Gross Rent
Studio	1	340	\$81,960	1 person	\$1,933	\$116	\$2,049
1 Bedroom	4	502-513	\$84,870	1 person	\$1,979	\$143	\$2,122
2 Bedroom	2	583	\$84,870	2 person	\$1,947	\$175	\$2,122
2 Bedroom	5	638-690	\$87,780	2 person	\$2,020	\$175	\$2,195
2 Bedroom	10	720-840	\$93,600	2 person	\$2,165	\$175	\$2,340



Dear Mayor Bates, and Berkeley City Council Members, August, 2016

I'm delighted that Council Member Arreguin has proposed a Small Sites (5-25 unit) Program for Berkeley with an emphasis on affordable, collaborative ownership! I have two thoughts that I hope might nuance his program proposal that I'm presenting to you for consideration, hoping you will forward them onto those writing the first program draft. Please let me know if there are other steps I should take to have you consider these ideas:

1. Double layers of accessibility

Since the San Francisco program was initiated in 2014, there has been a growing consensus by local legislators that we need to stack support for housing as dual layers - one inclusionary layer for our most needy Housing Element RHNA tiers (Required Housing Needs Assessment), *and ALSO*, another for the middle-class moderate earner (81-120%) who has no subsidy programs or dollars available to them.

We who work in the local trenches know the backbone that sustains our local economies comes from them and that they're still languishing. To that end, there is an evolving practice amongst government leadership around housing: stack inclusionary requirements for each. I would ask the drafters of our new Small Sites Program to incorporate this thinking.

For our program, I would propose that rather than a one-pot calculation of 75% that averages 80% AMI or less, we make a commitment to the middle-class Berkeley citizen as well. It makes sense when we look at our city's demographics as presented in our most current 2015-2023 Housing Element ([See Housing Element - http://www.ci.berkeley.ca.us/uploadedFiles/Planning_and_Development/Level_3_-_Commissions/Commission_for_Planning/2015-2023%20Berkeley%20Housing%20Element_FINAL.pdf](http://www.ci.berkeley.ca.us/uploadedFiles/Planning_and_Development/Level_3_-_Commissions/Commission_for_Planning/2015-2023%20Berkeley%20Housing%20Element_FINAL.pdf)):

Household Income Distribution Table 2-17 (p.30) shows that lower earners comprise 44% of our population, tipped in main by our large but transitional student population. If we then also use the income pie-chart (Figure 2-7, p.31) to tease apart the moderate from the above 120% earners, we see another 15% are our moderate earners. It make sense therefore for our Berkeley Small Sites Program to begin to shape its requirements to reflect these actual percentages, stacking the two requirement as a base at roughly 60%.

But then in addition, there is an important question to ask, "Which populations of citizens do we want to benefit from this program? Essentially who does Berkeley want to encourage to become **permanent home-owning citizens** of Berkeley?"

We know that our middle-class has been hollowed out by the Great Recession and the sluggish recovery, and our newest citizens - the 30+ year-olds - are earning, but still burdened with school debt just as they are coming of the age to want to begin families and homeownership. They are our future middle-income residents, and our economy runs on their labors and their commitment to our community. So to encourage them to put down roots, I would recommend that we add an additional 15% to the moderate-income earner, to comprise the 75% at which your program aims.

So as an example, a 20-unit building that would want to make use of our Small Sites Program would simply need to show that 45%, or 9 units, fall into the 80% AMI or less tier, and 6 units would need to fall into 81-120% AMI tier. The remaining 5 units can be flexible or additional to this mix.

As well, I would recommend that a streamlined permitting process, and/or flat rate permit incentive similar to our ADU ordinance be offered if:

- 100% of units are at or below 120% Berkeley AMI in program proportions, *or*
- if the project is positioned to become any one of several legitimate **collaborative housing arrangements**, including but not limited to limited-equity cooperative housing, evidenced by **design criteria**: sufficient communal and transitional spaces, as well as appropriate privacy quarters for each resident household, *or*
- the project is community land trusted to ensure affordability for the 99-year land lease life.

2. Entice all developers to develop according to the SSP program criteria.

This program's aim is to create a more nimble housing engine than we have now, one that preserves and uses the low-hanging fruit of small scattered lots. So I ask, "If the program's goals to preserve affordable housing and create affordable ownership are met, why limit participation to only non-profit developers?" Their lens is renting not ownership, and their experience has not been small lots. And while you may remove some of their funding needs, the competition for any other funding still is competitive and cumbersome.

This is 180-degrees from the advantage of a small sites program. The San Francisco small sites program understands the nimbleness this kind of program encourages, and therefore is open to non-profit and private developers alike.

As well, there is a national movement that is growing to support the incremental neighborhood developer (<http://www.incrementaldevelopment.org/about>). While the Institute is non-profit, it trains and encouraging architects and private neighborhood developers to work as for-profits. (I see *great* potential in catalyzing individual, small neighborhood builders/developers who care that about their communities, and wish to create collaborative, cooperative housing. These design/build firms can stimulate many great "starter properties" for ownership. <https://rjohnthebad.wordpress.com/2016/08/23/how-do-i-get-started-as-a-small-developer-find-your-farm/>)

The Small Sites Program and its incremental nature are perfect for this kind of improvement. The scale allows these projects to focus on rent-to-own and ownership strategies where non-profits tend to focus on rentals and find scattered management inefficient. In deciding to pursue a project, they factor in 20 + years of management, making it feasible only if *many* scattered parcels are assembled. Small Sites, by contrast, can and should be done quickly as singles, and therefore be more responsive to and reflective of their immediate neighborhood. It's more aligned with what Small Sites Program are meant to achieve!

If they shift their strategies, the large non-profits may become major players in your program, but now they're not thinking this way. So might I propose to kick off this program with good momentum, that you encourage the innovative, nimble housing developer to also play at this scale, within your criteria?

I appreciate your consideration of these ideas. Please let me know if you need to speak with me further about them, or if I should direct this letter to anyone else involved in the draft.

Thank you, Loni Gray