

Housing Advisory Commission

## HOUSING ADVISORY COMMISSION

# AGENDA

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### Regular Meeting

Thursday, December 1, 2016  
7:00 pm

South Berkeley Senior Center

2939 Ellis Street

Secretary Amy Davidson, (510) 981-5406

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### 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.

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### PRELIMINARY MATTERS

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

### UPDATES / ACTION ITEMS

5. **Adopt Housing Advisory Commission's 2017 Meeting Calendar – All** (*Attachment 2*)
6. **Appoint Members to a Housing Trust Fund Subcommittee – All**
7. **Strategies to Increase the Supply of Housing Affordable to Moderate-Income Households, Recommendations from the Moderate Income Housing Subcommittee – Commissioner Marian Wolfe** (*Attachment 3*)
8. **Single point of entry for inclusionary below-market-rate units and City monitoring and enforcement – Commissioner Igor Tregub** (*Attachment 4*)
9. **Comments on McKinsey & Company's Closing California's Housing Gap report– Commissioner Marian Wolfe** (*Attachment 5*)  
<http://www.mckinsey.com/global-themes/urbanization/closing-californias-housing-gap>
10. **Update on Council Items – All/Staff**
  - a. Acton Courtyard 11/29
11. **Announcements / Information Items**
  - a. Voter-approved housing funding (Alameda County A1 and Berkeley U1)
  - b. January, February, and March 2017 HAC meetings will be held at North Berkeley Senior Center in the Health Room
12. **Future Items – all items and dates are tentative**
  - a. Elect Chair and Vice-Chair (February)
  - b. 2017 Work Plan (February)
13. **Adjourn**

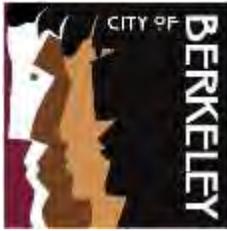
## **ATTACHMENTS**

1. Draft November 3, 2016 Meeting Minutes
2. Proposed 2017 meeting schedule
3. Strategies to Increase the Supply of Housing Affordable to Moderate-Income Households
4. Single point of entry for inclusionary below-market-rate units and City monitoring and enforcement
5. Comments on McKinsey & Company's Closing California's Housing Gap report

**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, November 3, 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: Heidi Abramson, Diego Aguilar-Canabal, Kathleen Crandall, Brendan Darrow, Libby Lee-Egan (substitute for Jill Martinucci), Alejandro Soto-Vigil, Igor Tregub, and Marian Wolfe

Absent: Tor Berg (excused), Jill Martinucci (excused)

Commissioners in attendance: 8 of 9

Staff Present: Kristen Lee, Steve Grolnic-McClurg, Amy Davidson, Jenny Wyant

Members of the public in attendance: 18

Public Speakers: 7

#### **2. Agenda Approval**

Action: M/S/C (Darrow/ Soto-Vigil) to approve agenda as amended (move item #6 ahead of #5)

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

#### **3. Public Comment**

None.

#### **4. Approval of October 6, 2016 Minutes**

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

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

### **UPDATES / ACTION ITEMS**

#### **5. Recommending Council Consider Funding for Oregon Park Senior Apartments**

Public Speakers: 7

Action: M/S/C (Wolfe/ Soto-Vigil) to request that City Council direct staff to work with Oregon Park Senior Apartments to undertake a physical needs assessment

and to consider assistance with financing to address any issues identified in the physical needs assessment, and to hold the fines in abeyance in the interim.  
Vote: Ayes: Abramson, Aguilar-Canabal, Crandall, Darrow, Lee-Egan, Soto-Vigil, Tregub, and Wolfe. Noes: None. Abstain: None. Absent: Berg (excused) and Martinucci (excused).

**6. Review Substantial Amendment to the City of Berkeley's PY2016 (FY2017) Annual Action Plan to Add \$210,000 in Community Development Block Grant (CDBG) Funding for Public Facility Improvements to the Mental Health Clinic**

Action: M/S/C (Tregub/Abramson) to approve the staff recommendation that Council approve an amendment to the PY2016 Annual Action Plan to allow for a one-time allocation of \$210,000 in CDBG funds for one public facility improvement project at the City of Berkeley Mental Health Clinic.

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

**7. Small Sites Program Information Report**

**8. Subcommittee Reports**

**9. Update on Council Items**

**10. Future Items**

**11. Announcements / Information Items**

**12. Adjourn**

Action: M/S/C (Darrow/Soto-Vigil) to adjourn the meeting at 8:56 p.m.

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

Approved on December 1, 2016

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

**Housing Advisory Commission  
Proposed 2017 Meeting Calendar**

All meetings are Thursdays:

January 5

February 2 (Groundhog Day)

March 2

April 6

May 4

June 1

July 6 (July 4 is Tuesday)

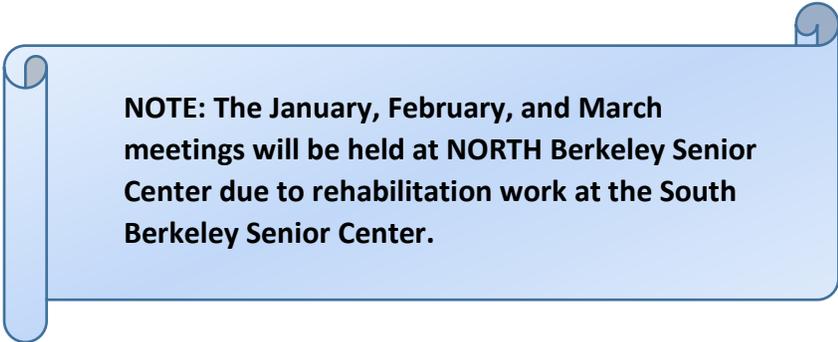
*August – no meeting – summer recess*

September 7 (Labor Day is Monday 9/4)

October 5

November 2

*December – no meeting – winter recess*



**NOTE: The January, February, and March meetings will be held at NORTH Berkeley Senior Center due to rehabilitation work at the South Berkeley Senior Center.**

**DATE:** November 21, 2016  
**TO:** Housing Advisory Commission  
**FROM:** HAC Moderate-Income Subcommittee  
**RE:** **Strategies to Increase the Supply of Housing Affordable to Moderate-Income Households**

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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 HAC reviewed the Subcommittee's recommendations regarding potential policies for the City to consider and submitted an information report to the City Council that was included in the December 13, 2016 Council packet.

Based on these policy recommendations, the HAC requests that the following strategies be considered by the City Council.

### **Renter Strategies**

- Encourage homeowners to rent out unused rooms.
  - This first strategy can be implemented very quickly. A subcommittee of the HAC can work with Craigslist to create a special "search" option for current homeowners to advertise the availability of a room (or rooms) to rent to tenants.
  - The service will support homeowners who are inexperienced in interviewing and selecting tenants to have more confidence. Also, it will provide a platform for potential tenants to locate homeowners interested in renting space.
- Encourage homeowners to build ADU's that could be rented to tenants.
  - Streamline the permitting and approval process.
  - Provide more support and referrals to homeowners, including the provision of design concepts and identifying financing mechanisms.
  - Incorporate state law changes into Berkeley's Municipal Code.
  - Create an outreach campaign to promote ADU development, including the development of brochures that can be distributed at key locations in the City as well as content to be provided to local electronic newsletters and newspapers.

### **Owner/Renter Strategies**

- Continue to study the use of a small sites strategy to maintain affordability in existing housing.
- Commit to securing one site as a small sites case study that could be replicated.
- Encourage and support new development that is owned and financed in less traditional ways, including expanded use of land trusts, cooperative form of ownership, and other approaches, such as co-housing and collaborative housing.
- Promote construction of affordable housing on surplus public land, particularly for BUSD teachers and staff.

### **Allocation of New Funding Sources**

- Inform Berkeley residents of the new Measure A1 funds that will be available from the County to assist moderate-income homeowners.
- Allocate a portion of the Measure U1 funds for moderate-income housing development.

HOUSING ADVISORY COMMISSION  
12/1/16

To: Housing Advisory Commission  
From: Vice Chair Igor Tregub  
Subject: Single point of entry for inclusionary below-market-rate units and  
City monitoring and enforcement

**Recommendation**

The Housing Advisory Commission (HAC) recommends to the Berkeley City Council that it direct staff to prioritize developing a single point of entry for inclusionary below-market-rate units in otherwise market-rate projects and an associated monitoring and enforcement mechanism.

**Background**

Although City of Berkeley staff currently monitors that inclusionary below-market-rate (BMR) units in otherwise market-rate projects remain available to tenants who are income-qualified, no mechanism is in place to monitor the processing of the waitlist of applicants for the BMR units (as distinct from, for example, waitlists for Berkeley Housing Authority Section 8 vouchers, which the City of Berkeley does monitor).

Because market-rate project owners are free to create their own system for selecting applicants for the inclusionary BMR units and no monitoring mechanism exists, the potential exists for favoritism in how applicants are selected for a limited number of BMR units and for applicants who were on the waitlist longer to be “passed over” in favor of applicants who have been waiting for a shorter period of time. An anonymous and circumstantial but nevertheless credible allegation that was received even suggests that in one instance a tenant who would not otherwise qualify for an inclusionary BMR unit in one project was given priority over others on the waitlist because he agreed to serve as the on-site manager for the project, with a salary capped at the income limit for him to qualify.

A single point of entry with the City to apply for inclusionary BMR units, coupled with a City-administered monitoring and enforcement program, would ensure ease of application for prospective BMR unit tenants and enhanced confidence that the process will be administered fairly.

**Marian Wolfe, Ph.D., President**  
**Vernazza Wolfe Associates, Inc.**  
**Tel. (510) 548-8229**  
**E-Mail: mwolfe@vernazzawolfe.com**

**DATE:** November 14, 2016  
**TO:** Bay Area Planners and the Affordable Housing Community  
**FROM:** Marian Wolfe  
**RE: Critique of McKinsey Global Institute Tool Kit**

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This memo is not a scholarly discussion of the McKinsey Global Institute Tool Kit. Instead, I conceived it as a conversation between myself and the writers of the McKinsey report. So, it is informal document.

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Data Problems

One major flaw in this Tool Kit is the concept that the report writers can actually quantify impacts and savings related to current and proposed policies. I found that the numbers presented were not based on thorough research but on generalizations. Here are some examples:

- A statewide housing affordability gap is presented. Without analyzing actual rents and sales prices in each housing market (which is not done here), it is not possible to present a total gap figure. Nor, have they shown how this gap would depend on household size.
- Another measure presented is an indicator they have created - housing units per capita – and compared California with the U.S. Household size needs to be considered. For example average 2010 household size in California was 2.9, and in the US it was 2.58. In other words, California has larger households, so housing units per capita will automatically be lower than national levels.
- The report does not really show an understanding of households. By definition, a household occupies a housing unit. The report includes a statement (top of page 2) that there is a mismatch between household growth and net housing units by 77,000 units. Something is “off” here. Also, look at footnote 2 on page 2 – in the middle, they have indicated an “intuitive” approach has been used here for their estimates. Intuitive approaches can be included in qualitative assessments, but not in quantitative assessments.
- Report provides a housing supply gap on a state level. This is not meaningful, since, where housing is located is what is relevant. A supply gap for each County or MSA would be more meaningful, but would have required more research.
- Report provides an estimate of the potential number of units that can be built, if cities and

counties adopted recommended policies. The report did not have the data to do this, and in fact, in Exhibit while the potential is supposedly based on the state, the footnote mentions that it is based on three counties. And then generalized for the entire state.

- Similarly, Exhibit 8 is also based on modeling new potential based on ratios developed from three counties. This is not even good real estate market research. Text acknowledges that the new construction potential does not take financial feasibility into consideration. Nor are environmental or infrastructure constraints considered.

Conclusion: None of us would doubt that there is a lack of sites – but quantifying the number of units that could be built on a statewide basis using estimates and generalizations about conditions is not accurate.

The remainder of this critique discusses each tool and mechanisms suggested to implement each tool.  
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Tool One: Build on vacant urban land that cities have already zoned for multifamily development.

- Provide more information about vacant sites (good). However, report should acknowledge that not everyone with a vacant site will sell it (or use it) for development. In fact this was mentioned in a recent New York Times editorial.
- Incentivize owners to bring sites to market by imposing a higher marginal tax rate. I do not see how this could work, given that the only tax on land is the property tax, and changes to this would require a vote by the public. The PPIC has conducted a survey showing that a majority of Californians still support Proposition 13. (Report authors should learn about our California laws.)
- Accelerate project approvals – nothing new here – this is in every housing element I have seen lately.
- Incentivize infill by public assistance for infrastructure upgrades (likely we do this now in specific plan areas) and by providing tax holidays. What are these tax holidays, and how would our general funds be backfilled if these are provided? Why should owners that didn't pay taxes be rewarded?

Tool Two: Intensify housing around transit hubs.

- This is not a new idea.
- Assessment of the number of units that could be built is way too high, given that it doesn't take into consideration current land uses nor if future transit is considered, the funding and likely timing of completion of new lines and stations.
- In concept this is what we in California are already planning for. However, quantifying potential number of units statewide is beyond any planner's ability.
- Also, bus rapid transit is considered as a transit corridor – has BRT really taken off, and does it get residents to their needed destinations?
- The recommended tools make sense, and also reflect what some cities are already doing. However, again, the infrastructure is assumed to be paid for via tax increment bonds.

Tool Three: Add units to existing single-family homes.

- Add more ADU's – already a policy many cities are pursuing. However, according to McKinsey, units can be created for less than \$25,000! This under-estimates likely costs.
- Also, adding ADU's is an individual owner's decision, and it is difficult to quantify how many owners would want to do this.
- Co-Living – this is complicated and difficult to know how many homeowners would be interested.
- Other incentives (all of which we are looking at in Santa Cruz) are suggested. See page 17 of the report for these incentives.

Tool Four: Add units to underutilized urban land zoned for multifamily development.

- This tool proposes to redevelop under-utilized parcels, without tools of redevelopment.
- Acknowledges that there would be displacement – so policies are needed to mitigate this, but none are specified.
- Report quantifies the number of units that could be added – again by using two cities (LA and SF) and extrapolating from there.
- There are additional tools mentioned – but these lack “teeth,” such as advertising potential parcels (which does not address what current owners really wish to do with their properties).

Tool Five: Develop affordable and adjacent single-family housing.

- Greenfield development which assumes small lot construction.
- Quantification of potential housing units for California is based on studying three counties only: San Bernardino, Sacramento, and Contra Costa.
- Locations may be within five miles of public transit or, if not, within 20 miles of a job center.
- Actual tools: Smart urban growth zones would be established and property taxes and impact fees would vary by zone. Infrastructure development (who pays??) Zone for small lot, single family. (I find this last point odd – since if a resident needs to drive 20 miles to a job, wouldn't that resident want a larger lot? Are we able to change consumer preferences in suburban locations?)

Tool Six: Incentivize local governments to approve planned housing.

- Again, this tool is frequently voiced in Housing Elements. The suggestions are not as bad under this tool as they are under other tools.
- Property tax reform – how likely are the measures listed on page 27 to be adopted by the state legislature?
- Tie regional and state dollars to local housing performance – this is a “carrot” approach which only works if cities and counties care about the funds that could be lost.
- If cities do not approve zoning-compliant housing projects, one suggestion is to let developers appeal these decisions to regional zoning boards. How likely are cities to agree to lose their autonomy to regional zoning boards?

Tool Seven: Accelerate land-use approvals.

Most of the suggestions make sense. However, I am not sure I believe the information the costs that would be saved, given the way data is used elsewhere in the report.

Tool Eight: Raise construction productivity

Many of the suggestions make sense – however, they do not appear to have been discussed with unions and contractors – so more work would be needed to understand how much of a difference these ultimately make in reducing costs. Again, the report should not report an amount of the amount of money that could be saved.

Tool Nine: Deploy modular construction.

- This could help reduce costs, but again, trying to estimate the actual savings is not necessarily accurate. And, citing the prevailing wage requirement as a barrier to cost savings is a political issue. (I have increasingly seen union people become advocates of affordable housing and of prevailing wages.)
- One suggestion was adapting construction loan products. This is actually a good idea to pursue, assuming portfolio lenders would support these.

Tool Ten: Accelerate construction permitting.

- The suggestions provided here are all useful. The key issue is finding funds to increase staff and digitize the permitting process.
- However, again, I don't think that they can really quantify the cost savings of improving the system.

Tool Eleven: Reduce housing operating costs.

- For some reason the focus is mostly on affordable housing operating costs. Perhaps some affordable housing developers could join together to negotiate better rates. However, again, quantifying the savings is not accurate.
- Other suggestions – some have higher costs such as reducing energy use (which require more financing) and others, such as educating tenants and managers are good ideas.
- However, suggesting that staff should be screened more is insulting to those who work in the nonprofit sector. From my experience, the nonprofit sector has excellent staff.

Tool Twelve: Align development impact fees with housing objectives.

- First, blaming impact fees for increasing the cost of a new single family home for lower-income households is not accurate. Lower-income households cannot afford to purchase new single family homes, unless they are subsidized in the first place (or constructed through Habitat).
- Secondly, the researchers state that they do not know the full cost of public benefits – since they are not part of public record. This is another example where more research could have improved data and conclusions.

- Impact fees are based on nexus studies which accurately define costs, and generally, they are adopted below the level of actual costs. However, the report states that these fees may be higher than what is needed.
- Deferral and waiver of fees is already the case in some situations.
- They want to change prop 13? Good luck with that.
- Toll roads can work – but what about other infrastructure, such as parks? Only bond measures work.
- Overall, arguments do not show sensitivity to California conditions.
- Also, the issue of who should bear the costs of extended infrastructure is an ongoing discussion among fiscal experts. It is clear, however, that impact fees are not to be used for ongoing maintenance and capital improvements unrelated to growth (impact fees are not considered to be a cure for existing deficiencies).

Tool Thirteen: Prioritize state and local funding for affordable housing.

- Earmarked Bonds – good idea – at both state and local levels. We are already doing this.
- New local funds like document recording fees – again, we are doing this.
- Expand LIHTC at state level. Good idea, but fiscal impacts at state level need to be assessed.

Tool Fourteen: Attract new investors in affordable housing.

- Many suggestions are already underway – use of philanthropic investment – for example, but it is difficult to forecast the amounts that would be available.
- Also industry – high tech – could provide funds.
- However, these are not sources that can be relied on year after year in the same way public allocations can be.

Tool Fifteen: Design regulations to boost affordable housing while maintaining investment attractiveness.

- Commercial linkage fees, Inclusionary Zoning, In-Lieu Fees – many cities and counties already impose these fees. These are not new ideas
- Tax increment financing – bond against future tax revenues to build affordable housing.

One of the “new” financing techniques suggested is SB 628 (enhanced tax increment financing districts) now authorized under new legislation to finance capital improvement projects. However, so far this financing is used for infrastructure projects and not affordable housing. There are many rules associated with this financing source which are not acknowledged in the report. See the following sources: <http://www.planetizen.com/node/88347/new-financing-tool-california-enhanced-infrastructure-finance-districts> and <http://www.natlawreview.com/article/california-governor-signs-new-tax-increment-financing-structure>.