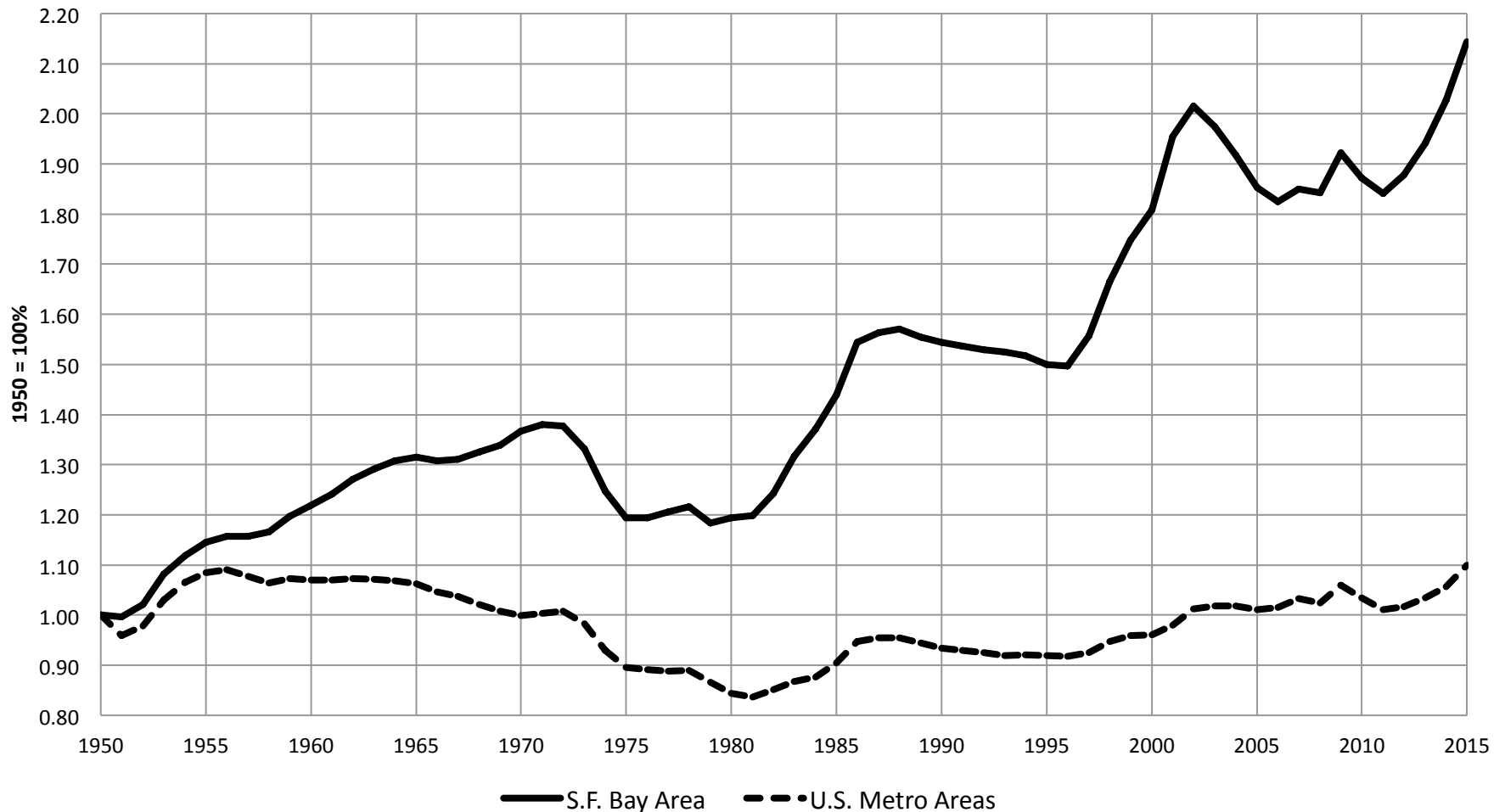


Berkeley's Proposed Affordable Housing Tax

Stephen Barton, Ph.D.
Berkeley Committee, East Bay
Housing Organizations

High Bay Area Rents Created Over Decades

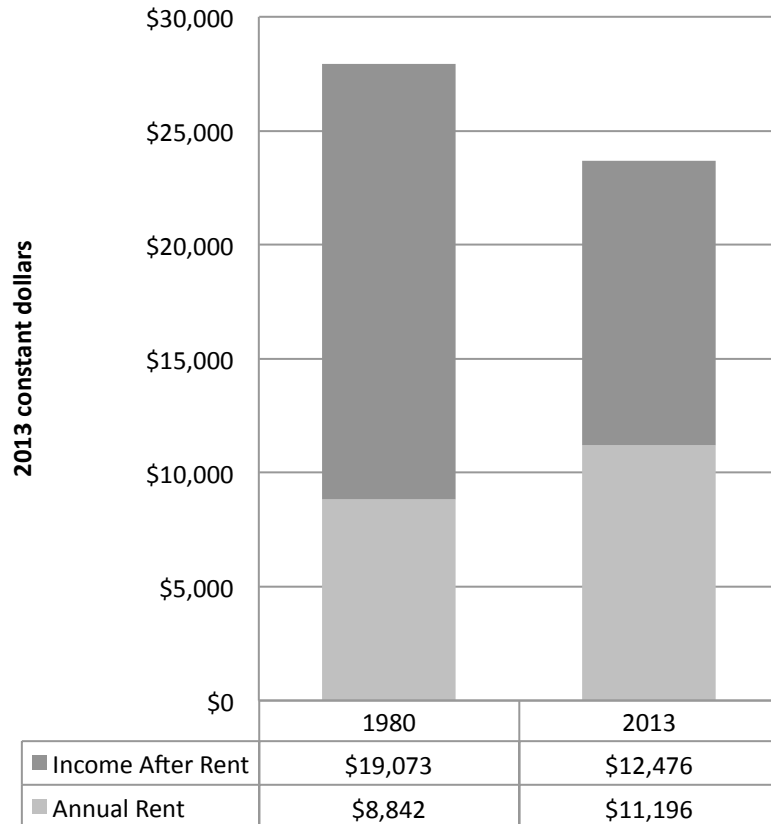
Change in Real (Inflation-Adjusted) Rents: Bay Area & U.S. Cities,
1950 - June 2015



Very Low-Income Tenants Hard Hit by Rising Rents & Declining Incomes

Income Remaining to Very Low Income Tenants After Paying Low End Rent: 1980 - 2013

25th percentile income & rent, Census Bureau



- 1980 and 2013 (constant 2013 dollars)

Very low-income tenant has 15% less real income

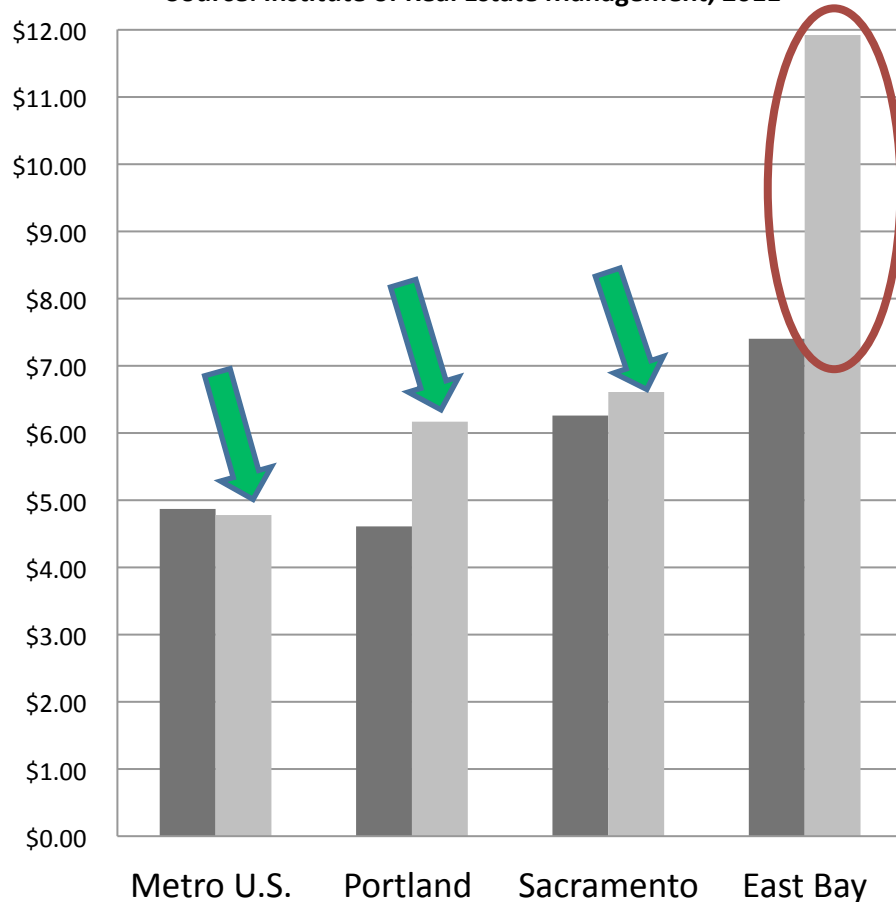
Result: Income remaining after paying rent is down 35%

Low-end real rent up 27%, takes nearly half of income

High Rents Are Not Economically Necessary

Operating Expenses and NOI for Apartment Buildings in 2010

Source: Institute of Real Estate Management, 2011



- Non-profit housing operating expenses and reserve set-aside \$600 to \$700 a month.
- Bay Area rents far above what is necessary for older housing with construction costs paid off years ago.
- In a fully competitive market, rents are minimum necessary to profitably operate and maintain rental housing.

■ Operating Expenses per square foot
■ Net Operating Income (NOI) per square foot

Rents Are So High Because the Rental Housing Market Does Not Work

Strong Demand

- Natural beauty
- Diverse creative culture
- Quality public services
- Strong regional economy
 - anchored in Berkeley by University of California

Constrained supply

- Bay, ocean & hills limit land to build on
- Redeveloping urbanized land to higher densities costs more
- Suburban land use regs limit apartments
- Time lag

High Rents Reflect Value of Land/Location

- A large part of the rent is “admission charge” for the privilege of living here – for location, not the building.
- = unearned income, windfall profit.
- The public is morally and legally entitled to use taxes to recapture the value of the location instead of allowing real estate investors to take it all for private profit, because the public created that value.
- Equity: Homeowners contributions to area quality of life raise their property values. Renters contributions raise their rents and raise landlords’ property values.
- Tax land values to fund affordable, non-profit housing.

Increase Local Business Tax on Landlords to Fund Affordable Housing

- Berkeley's current business license tax is 1.08% of gross receipts from residential rental properties with 3+ units.
- A 1.8% increase (average cost \$30 per unit per month) to 2.88% would bring in \$5 million annually with exemptions.
 - 2.8% increase (\$45 unit/month) = \$8 million annually.
 - Receipts increase as rents increase.
- Council workshop tentatively set for Nov. 17th to plan polling on tax level and exemptions.

Key Political Considerations

- Tax increase will not be passed on to tenants.
 - No pass-through in rent stabilized cities
 - Owners of uncontrolled rents will raise rents anyway
- Can pass with majority vote as “general” tax.
 - Propose structure similar to Berkeley’s “soda tax”.
 - Special, parcel, & real estate transfer tax all need 2/3.
- Other Nov. 2016: “Split Roll” to tax non-residential commercial property at current market value.
 - Leaves windfall increases in property value from rising rents largely untaxed. In Berkeley 2/3 of apartments under same ownership since 1998.

Tax Exemptions

- 1 & 2 unit and non-profit rentals fully exempt.
- Tax **reduction** for current low and moderate income landlords with less than 10 units.
- “Old rent control” units with pre-1999 tenants and “inclusionary” & “density bonus” BMR units have no windfall profits – exempt from increase.
- Hardship exemptions, criteria to be set by Council.
- New construction temporarily exempt for 10 years after certificate of occupancy.
- Units occupied by Section 8 tenants exempt to encourage landlords to rent to them.

Building the Campaign in Berkeley

- 2014 gathered signatures for initiative. Only got half but gained significant support for concept.
- 2015 two leading candidates for Mayor agreed to place on ballot for Nov. 2016. Broad Council support. Agreed polling will guide specifics.
- Beginning outreach to create broad campaign committee.
- Multiple cities would get more media coverage and spread out opposition campaign money.
- Landlord response: tripling the business tax is excessive, unfair to single out landlords.

No matter how high the rent...

- Some new investors will speculate on future rent increases and pay so much for a property they have low or no cash flow after paying mortgage.
- Some long-term investors will borrow against increased value of a property, often to buy more property, and have a low or no cash flow after paying the mortgage.
- Then they claim they're hardly making any money and couldn't maintain their buildings if higher taxes, rent regulation.
- As rents go up, new investors pay even more, long-term investors borrow even more, the cycle continues – no matter how high the rent.

Summary

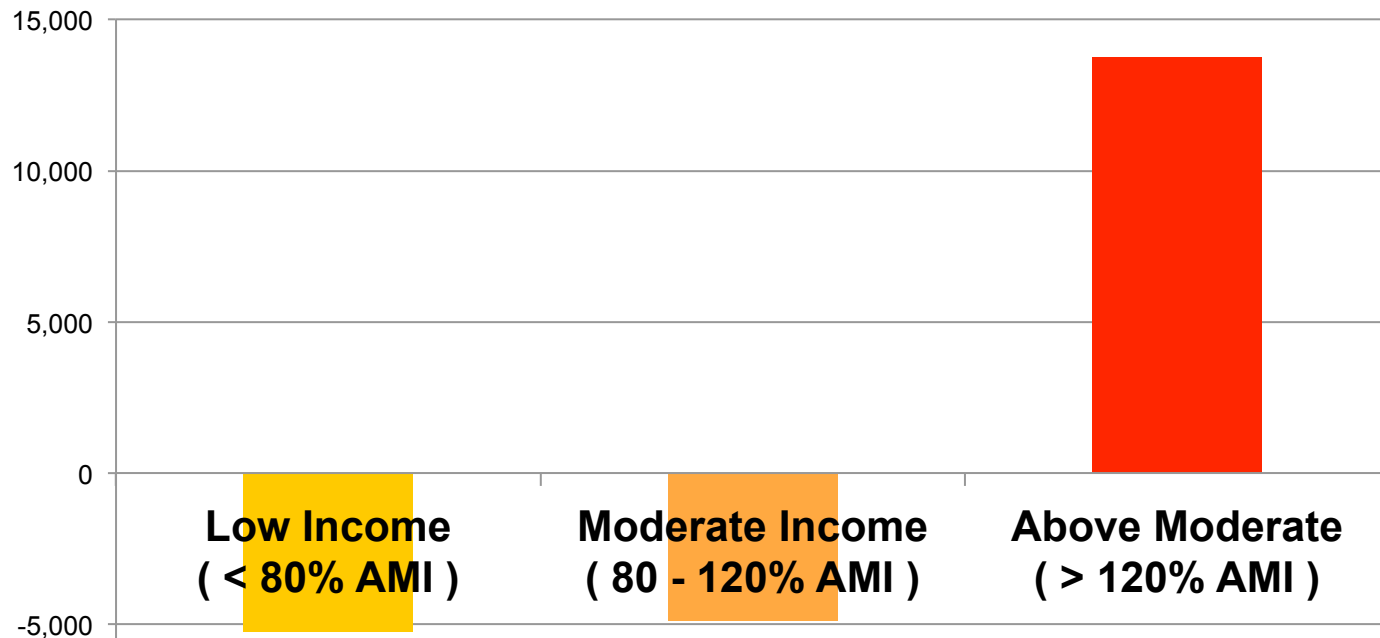
- Dysfunctional regional housing market = high rents & windfall profits for owners, harms tenants
- A large part of rent is based on location, whose value is created by the public. The public has a moral and legal right to recapture all or part of the value it creates, rather than allowing it all to be taken for private profit.
- Berkeley City Council proposal for Nov. 2016 ballot measure to increase the business tax on landlords by at least 1.8% of gross rent to raise \$5 million annually.
- Exemptions for small, low & moderate income owners, hardship cases, new construction, Section 8.
- Can be passed by majority of voters, general tax with advisory committee on affordable housing.



A HOUSING AGENDA:

What will it take for San Francisco to remain an affordable housing leader?

2007-2014 Housing Element Goals



The City's Housing Element tells us what we **NEED**, based on local job growth, but in reality over the last seven years we have built or entitled...

- **212%** of the need for “market-rate” housing
- **28%** of need for moderate-income units
- **58%** of need for low-income units

WHAT IS TO BE DONE?

- A Housing Agenda -

- 1. PROTECT** tenants who made this city

WHAT IS TO BE DONE?

- A Housing Agenda -

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2. **PRESERVE** what we've got –
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demand created by growth in low-wage jobs –
by increasing sustainable local revenues for site
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by increasing sustainable local revenues for site acquisition and new construction
4. Compel **PRIVATE** development to provide moderate and middle-income housing

SF's 2020 Housing Agenda

- 30,000 units by 2020 –

1. 20,000 units, at least, to be market-rate or “middle class”
2. 30%, or 10,000 units, to be low- or moderate-income (0-120% AMI), new or rehab.
 - Over half will be rehabilitation of public housing.
 - Based on already committed funding, 3,395 low-income units recently completed, under construction, or estimated 2020 completion.

SF's Affordable Housing Programs

- SF's 2020 Housing Agenda -

1. Low-income Housing Production
2. Small sites acquisition
3. Public Housing rehab (RAD plus HOPE-SF)
4. Down-payment assistance loans
5. "Middle-income" Production (???)

How SF funds its Affordable Housing:

- 1. Federal HOME Funds**
- 2. Federal CDBG Rehab Funds**
- 3. Tax Increment Financing**
Redevelopment Area (Bonds) plus
Expired Redevelopment Area TIF to
“accelerate” existing obligations (SB-441)

How SF funds its Affordable Housing:

4. Housing Trust Fund

30-year General Fund Set-Aside based on former Redevelopment Agency bond repayments plus portion of Hotel Tax and 2012 gross receipts tax increase

5. General Fund (HOPE-SF)

6. Debt - Borrowing against General Fund or Housing Trust Fund (Certificates of Participation)

- \$50 Million in 2014 budget
- \$25 Million in 2015 budget

How SF funds its Affordable Housing:

7. Development Impact Fees

- Inclusionary Housing Fees
- Jobs-Housing Linkage Fees
- 1-time Development Agreement Fees
(ie, CPMC mitigation)

How SF funds its Affordable Housing:

7. Development Impact Fees

These are "volatile" sources that go up and down with cycles of the real estate investment market, unlike other stable public finance sources.

- 2010/11 - \$83,326
- 2011/12 - \$2,103,912
- 2012/13 - \$14,865,329
- 2013/14 - \$41,886,782

How SF funds its Affordable Housing:

7. Development Impact Fees

- “Impact fees” pay for IMPACTS of development per nexus analysis
- As the City's nexus analysis makes clear, the affordable housing demand created by market-rate housing is nearly twice the amount of "mitigation" that is required through impact fees.

How SF funds its Affordable Housing:

8. Affordable Housing Bond

November 2015 Prop A, 66% threshold

\$310 Million total

- \$150 Million for low-income housing
(at \$250,000/unit, will account for about 600 units)
- \$80 Million for public housing rehab (RAD)
- \$80 Million for down-payment assistance
plus “middle-income” production subsidy

What are we building with this?

MARINA**25 UNITS**

Edward II - 25

CHINATOWN**188 UNITS**

Broadway/Sansone (CCOG) - 74

Broadway/Front - 114

TENDERLOIN**155 UNITS**

Vera Hallé (Mercy) - 89

Edly & Taylor (TNDI) - 66

HAYES, FILLMORE**367 UNITS**

55 Laguna Rehab - 39

55 Laguna (Mercy/Open House) - 87

Parcel O - 79

Parcel W - 35

Rosa Parks II (TNDI/Bethel) - 97

Booker T Washington (JSCol) - 48

SOMA**285 UNITS**

474 Natoma (Bridge) - 59

Hugo (Mercy) - 66

1036 Mission & Sixth (TNDI) - 86

Howard & Fifth (TNDI) - 72

TRANSBAY**758 UNITS**

Rene Cazeneuve (CHP) - 120

Transbay 6 (Golub/Mercy) - 69

Transbay 1 - 116

Transbay 4 - 83

Transbay 7 (Mercy) - 85

Transbay 8 (Related/TNDI) - 176

Transbay 9 (BRIDGE/Avant) - 109

MISSION BAY**580 UNITS**

1180 4th Street (Mercy) - 149

Mission Bay South 3E - 99

Mission Bay South 6E - 134

Mission Bay South 7W (CCOG) - 198

MISSION**247 UNITS**

Casa Mission (MNC / Mercy) - 14

1950 Mission & 16th - 134

12th and Folsom - 59

1284 B Shattwell - 40

BAYVIEW**495 UNITS**

Hunters View Phase 2-3 New Units (JSCol) - 109

5800 Third, Carroll Ave. (MBS) - 120

1075 Le Conte / 6600 Third St (Mercy) - 72

New Jamestown (L&M) - 194

HP SHIPYARD**225 UNITS**

Alice Griffith F-W New Units (Lennar/MBS) - 111

Hunters Point Shipyard 49 - 60

Hunters Point Shipyard 54 (Hilltop) - 52

EXCELSIOR / OMI**157 UNITS**

Balboa Upper Yard - 87

Phelan Loop (Mercy / RHW) - 70

What are we building with this?


- Affordable housing production is not evenly distributed across the front line working class neighborhoods of the city
- Much of the affordable housing production is in the “big three” Redevelopment Areas, which is a different geography than the neighborhoods where gentrification and displacement are acute

What are we building with this?

- All this affordable housing for now through 2020 adds up to about 3,500 new units
- This may perhaps increase by another 1,000 units between the "accelerated" projects from SB 441 tax increment and Prop A Housing Bond.
- That is in contrast to AT LEAST 20,000 units of new market-rate housing development expected by 2020

What MORE can we look to locally?

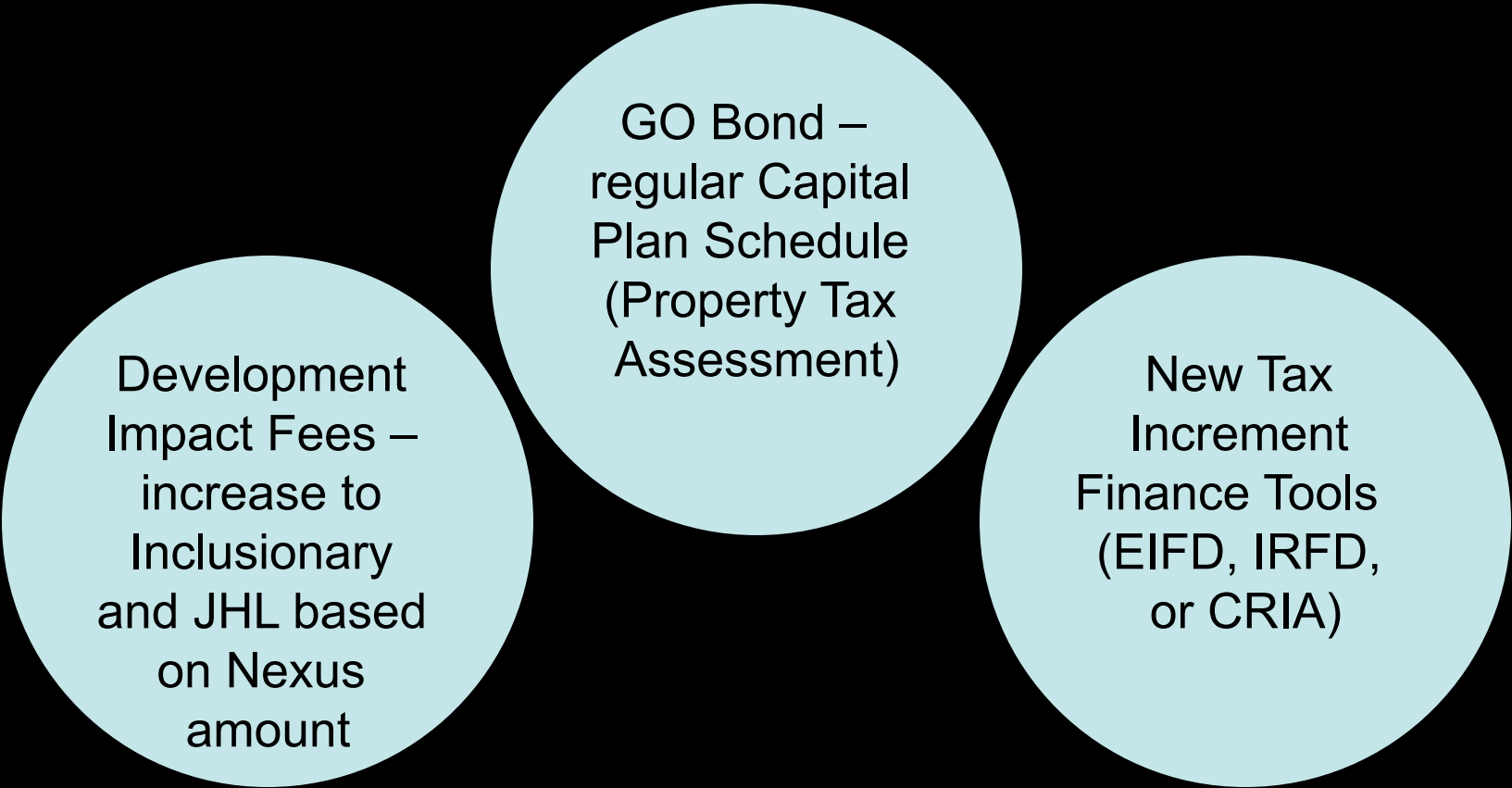
- We need a comprehensive, sustainable long-term funding plan that looks to new stable local sources
- We also need to take a leadership in promoting new regional and State sources



GO Bond –
regular Capital
Plan Schedule
(Property Tax
Assessment)

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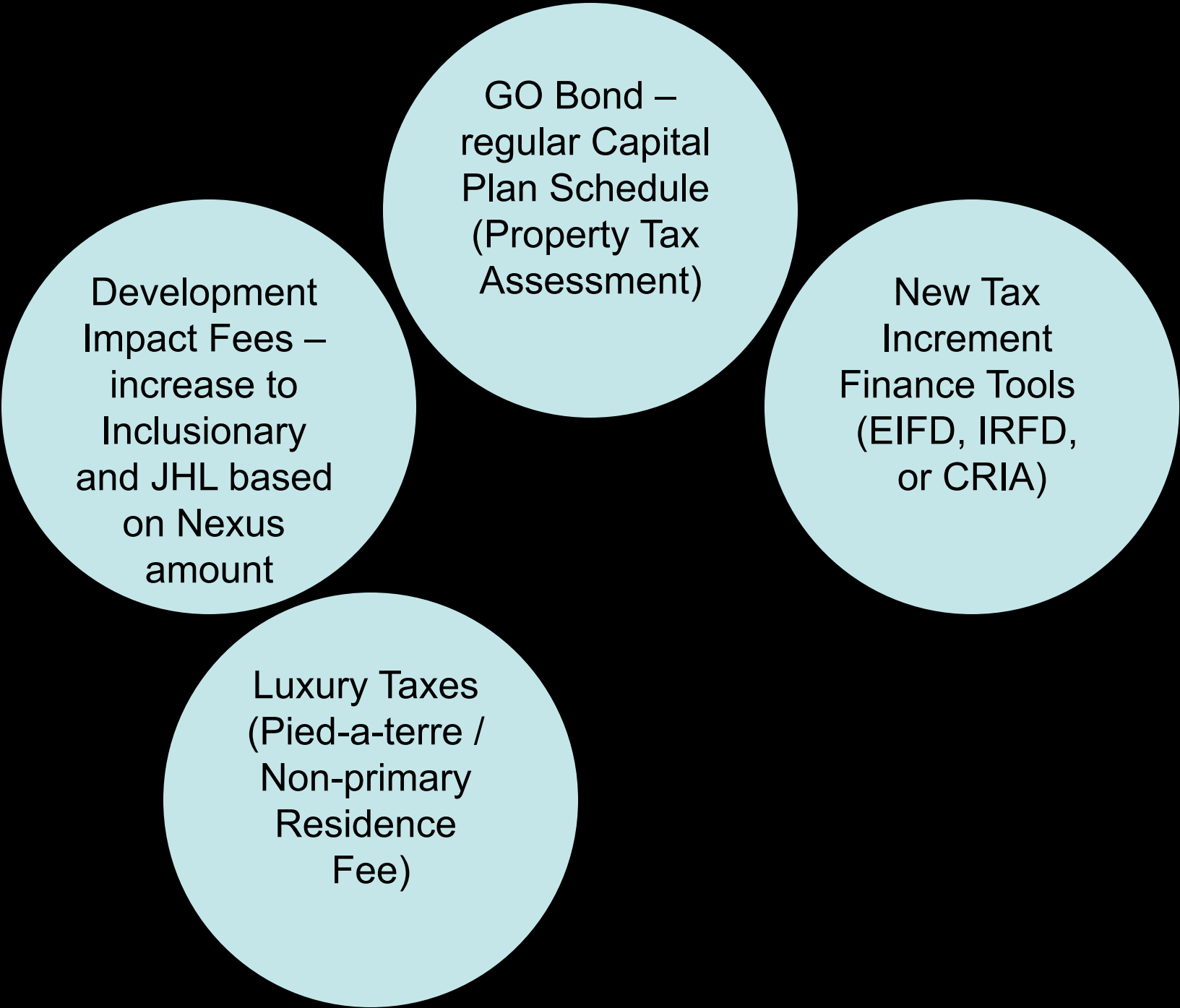
New Tax
Increment
Finance Tools
(EIFD, IRFD,
or CRIA)



GO Bond –
regular Capital
Plan Schedule
(Property Tax
Assessment)

Development
Impact Fees –
increase to
Inclusionary
and JHL based
on Nexus
amount

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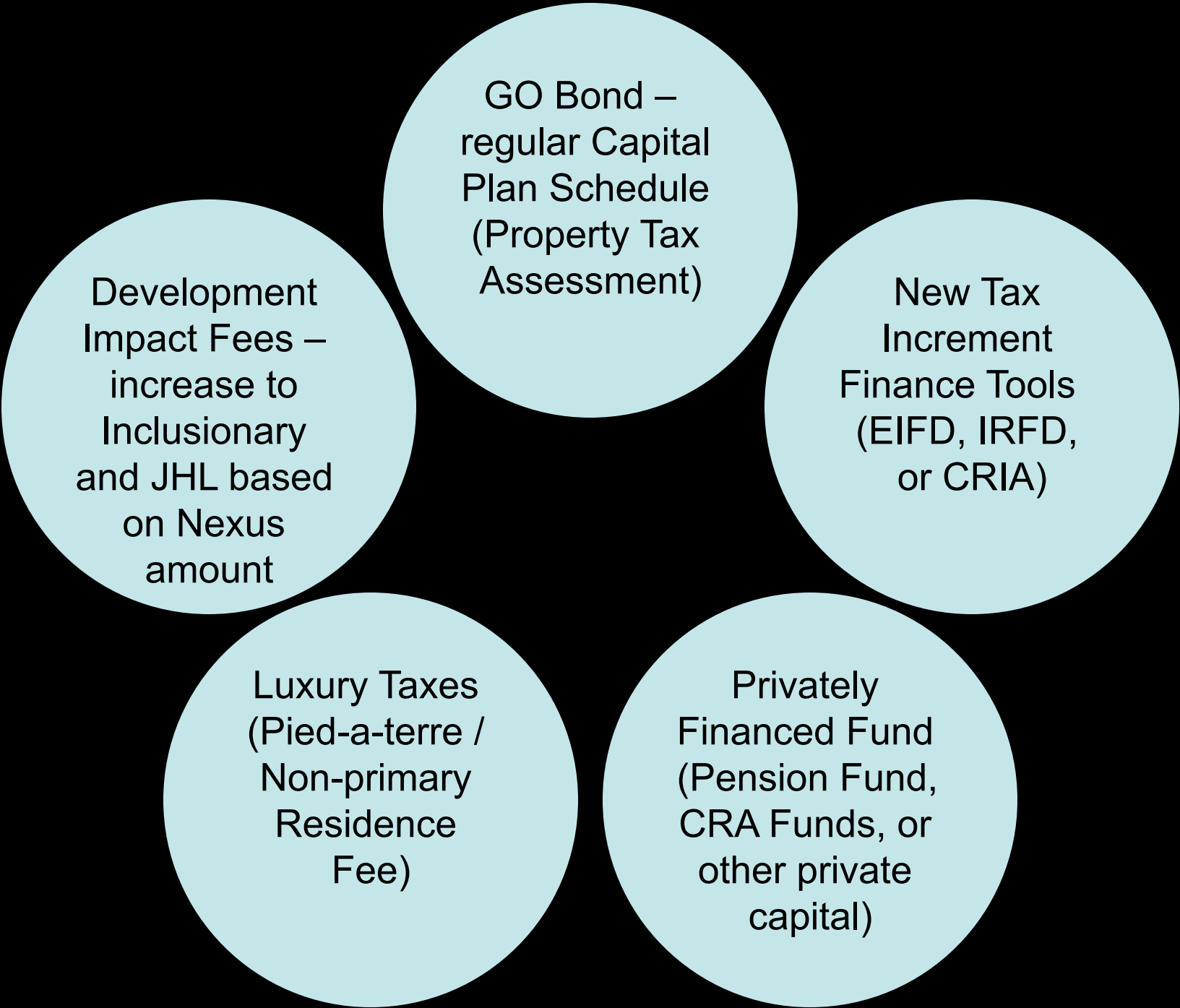


GO Bond –
regular Capital
Plan Schedule
(Property Tax
Assessment)

Development
Impact Fees –
increase to
Inclusionary
and JHL based
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amount

New Tax
Increment
Finance Tools
(EIFD, IRFD,
or CRIA)

Luxury Taxes
(Pied-a-terre /
Non-primary
Residence
Fee)



GO Bond –
regular Capital
Plan Schedule
(Property Tax
Assessment)

New Tax
Increment
Finance Tools
(EIFD, IRFD,
or CRIA)

Privately
Financed Fund
(Pension Fund,
CRA Funds, or
other private
capital)

Luxury Taxes
(Pied-a-terre /
Non-primary
Residence
Fee)

Development
Impact Fees –
increase to
Inclusionary
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THE COUNCIL OF COMMUNITY
HOUSING ORGANIZATIONS

www.sfccho.org

SPEAK **OUT**

FOR AFFORDABLE HOUSING!
Oakland Boomerang Fund Campaign



Our Goal



- Vision goal: Ensure everyone has access to safe, affordable, healthy place to call home
- Mid-term goal: Make sure Oakland decision makers prioritize Housing For All
- Immediate goal: Immediate and permanent source of funding for AH on local level

Issue: Boomerang Funds

- Redevelopment Agency (RDA) Dissolved by Gov. Jerry Brown in 2012
- CA lost \$1 Billion in funding for affordable housing every year
- Money in the form of property tax increment that used to flow to RDAs for Affordable Housing now flow from City to the state back to the city (hence, “boomerang”) for General Funds (not specific to housing)

Immediate Campaign Goals

- Set aside 25% of boomerang funds to be dedicated to affordable housing, both in one-time and ongoing.
- Set aside 25% of all sales of former RDA land for Affordable Housing Trust Fund.
- Why, when amount for Boomerang is relatively small?
 - Leverage for state and federal monies
 - Percent would grow as property prices increase
 - Permanent source of funding for affordable housing
 - “Makes a statement we are not turning our back on affordable housing” – Councilmember Dan Kalb

Setting: Oakland Budget Process

Budget Development	Budget Adoption	Budget Amendment
(Odd years)		(Even years)
Baseline Development	By June 30: Council Budget Adoption	Midcycle Budget Amendment
Special Budget Workshop		Year-Round Budget Amendments
May: Proposed Policy Budget Released		
Proposed Budget Presented to City Council		
Budget Town Hall Meetings and Community Input		
June: City Council Deliberations		

- Allocating through funds for
- We need
- We want to be de
- Had to c
- Got a Ch

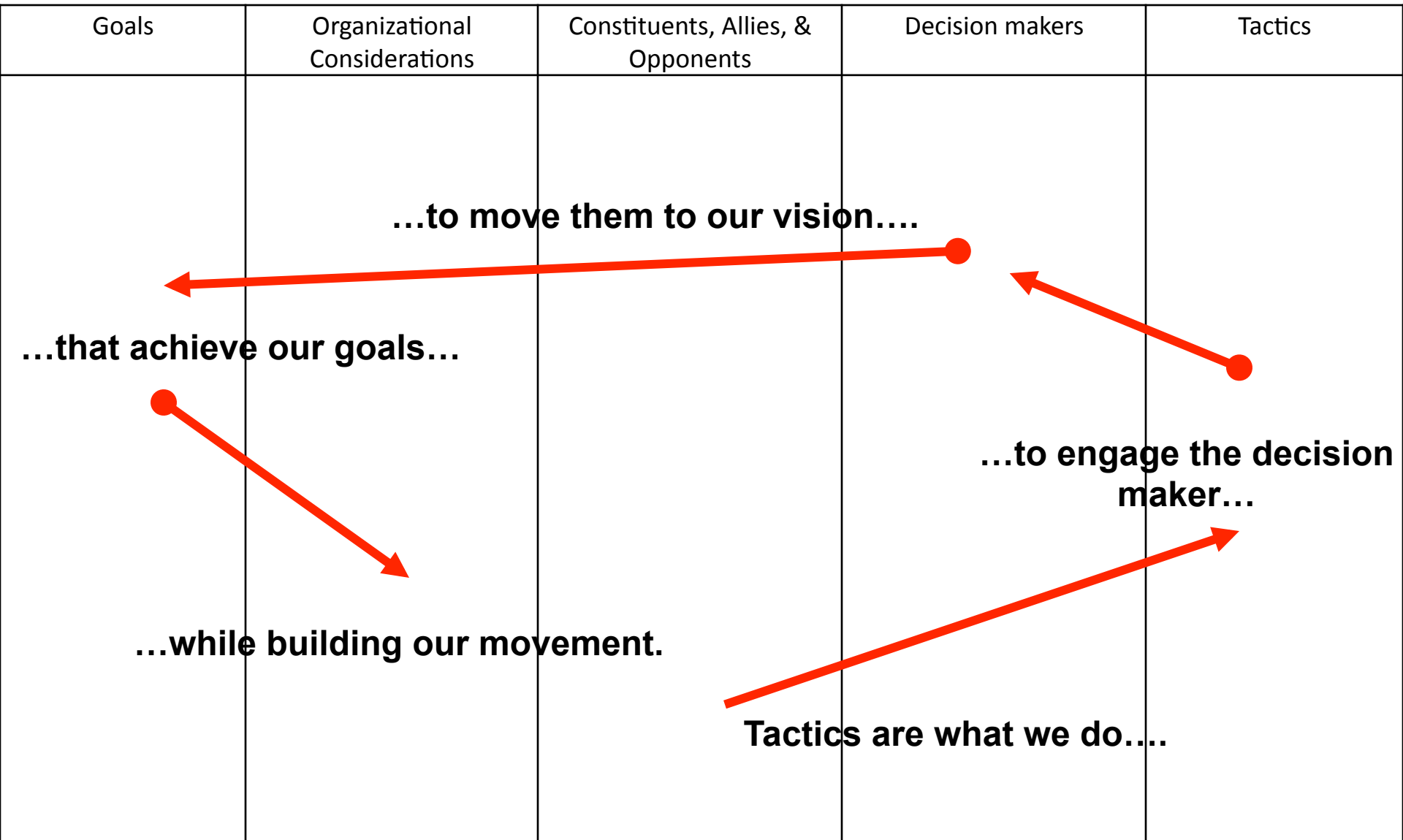


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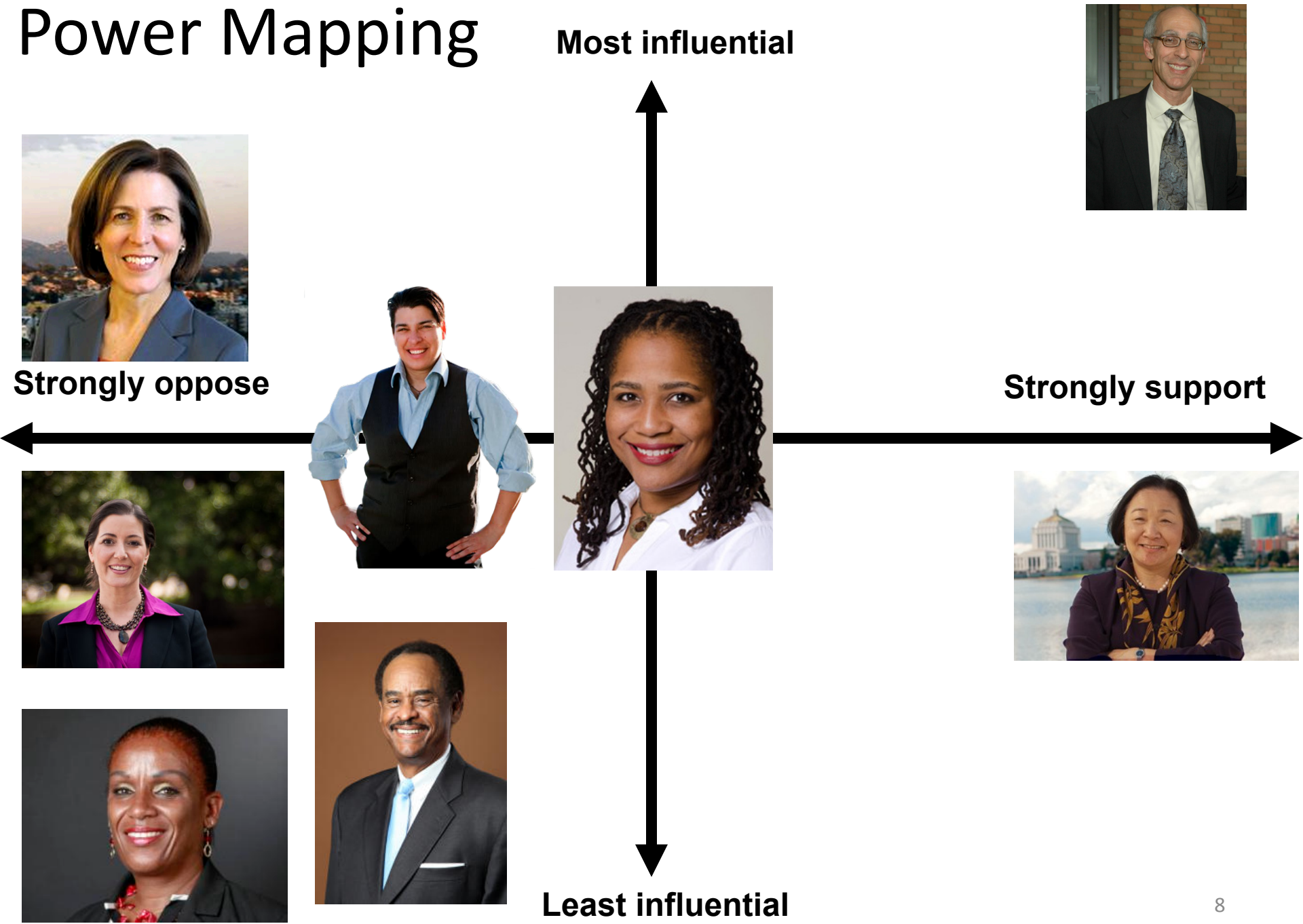
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Strategy



Power Mapping



Speak Out for Affordable Housing! Strategy Chart

Goals	Organizational Considerations	Constituents, Allies, & Opponents	Decision makers	Tactics
<p><u>Vision goal:</u> Ensure everyone has access to safe, affordable, healthy place to call home</p> <p><u>Mid-term goal:</u> Make sure Oakland decision makers prioritize Housing For All</p> <p><u>Immediate goal:</u> Immediate and permanent source of funding for AH on local level</p>				

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ReFund and ReBuild Oakland Coalition



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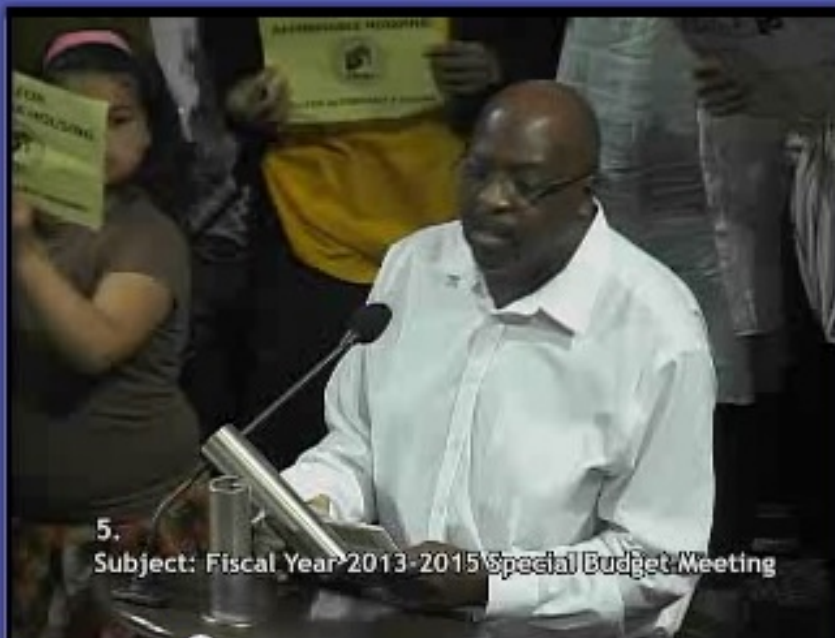
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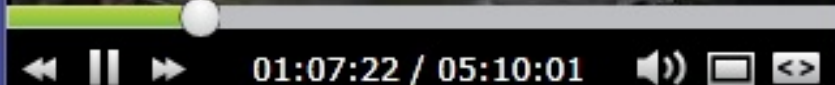
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MESSAGING



5.
Subject: Fiscal Year 2013-2015 Special Budget Meeting



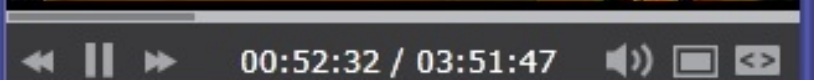
Oakland City Council
July 30, 2013



Community & Economic Development Cmte.
February 26, 2013



12
Subject: Allocation Of Funds For The Affordable
Housing Trust





ABOUT ▾

TOPICS ▾

ADVERTISE

TRAININGS & WORKSHOPS

OUR TEAM

PRESS

CONTACT

JUNE 23RD, 2013

Lifetimes of experience, speaking out for affordable homes (Community Voices)

Jun 23, 2013

sharoncornu

2 comments

CommunityVoices



CONTINUOUS ACTIONS



East Bay
Housing
Organization



We Support
Affordable Housing

I Support
Affordable Housing



I Support
Affordable Housing

I Support
Affordable Housing

I Support
Affordable Hous

I Support
Affordable

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Affordal





**I Support
Affordable Housing**

**I Support
Affordable Housing**

UNIT





25% FOR
AFFORDABLE HOUSING



25% FOR

AFFORDABLE HOUSING

% FOR AFFORDABLE

HOUSING

Local 21



LEADERSHIP DEVELOPMENT OF RESIDENT LEADERS AS ORGANIZERS

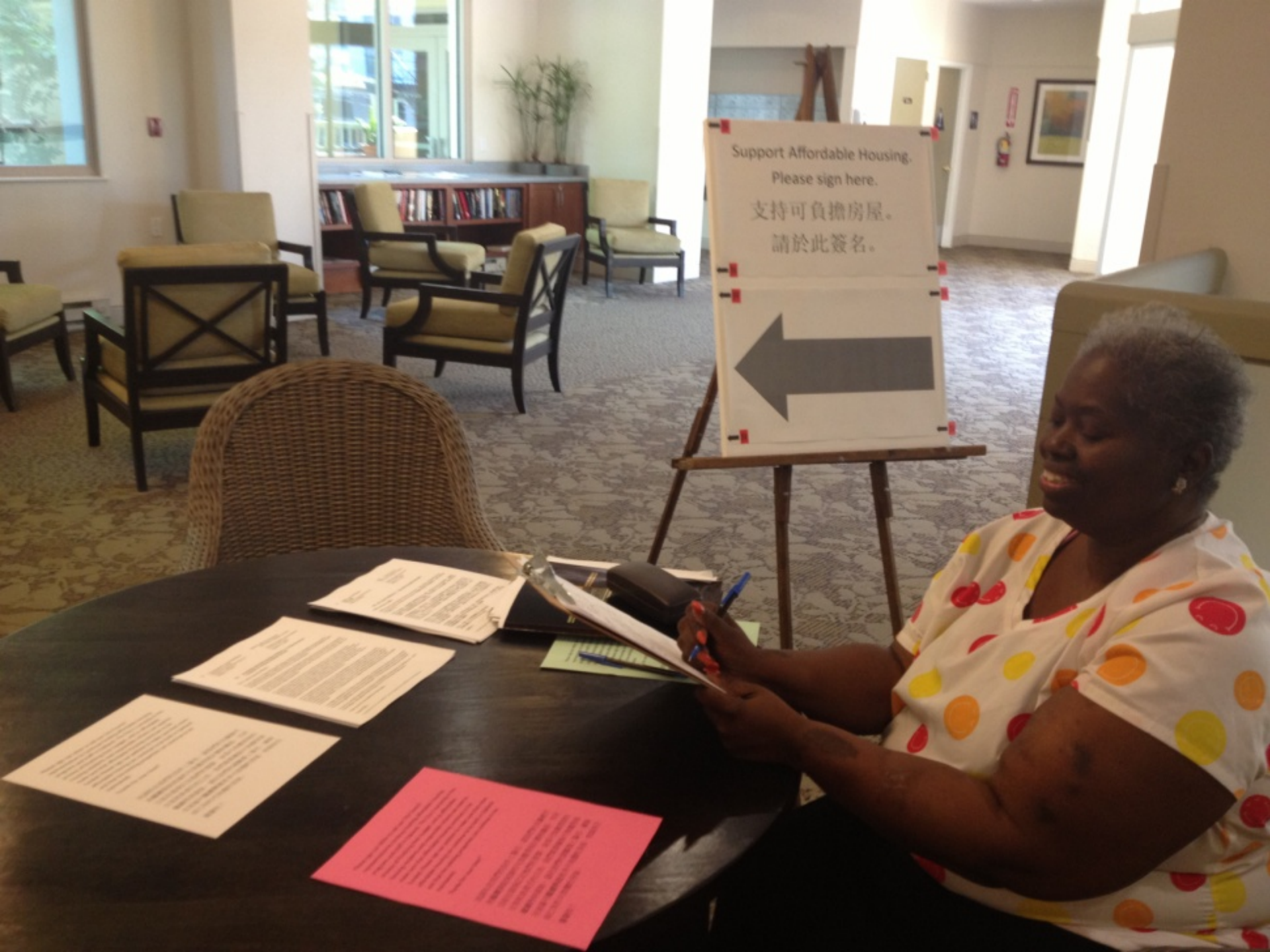
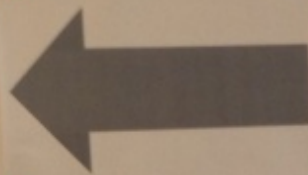


Support Affordable Housing.

Please sign here.

支持可負擔房屋。

請於此簽名。



Did we win?

- First victory on June 27: City Council voted for a budget that included \$1.8 million for affordable housing - enough to secure the continuation of core programs for FY2013-2015.
- Second victory on July 30th: City Council *unanimously* passed policy proposal that set aside 25% of all future boomerang funds for affordable housing, and the ordinance became official in October.

Impacts of the Speak Out! Campaign

- Alameda County Boomerang Funds
- Narrative of Housing as a Priority lasting
 - FY2015-2017 Budget
- Stronger unity with organizational allies
- Set the stage for resident leadership and organizing
 - In advocating for more affordable housing: Specific Plans, General Plans, Statewide Bills
 - In leading campaigns: Impact Fees, Coliseum City, Healthy Development Guidelines
 - In leading the movement: Resident United Network