

From: Mayor Tom Bates and Councilmember Laurie Capitelli
Re: Amendment to Item #37, City Density Bonus, City Council Agenda, April 28, 2015

Our proposed "City density bonus" is intended to help ease Berkeley's critical shortage of affordable housing.

Although current City law requires developers of market-rate rental housing projects to pay an "affordable housing mitigation fee" into the Housing Trust Fund, which funds affordable housing in Berkeley, the problem is that they're not paying it for the most part. The City law contains an exemption from the fee for projects that include some affordable housing. So developers are choosing to include some affordable housing, not only because it lets them reduce or avoid the fee, but also because of a separate State law – the State density bonus -- that allows them to add more units if they include affordable housing.

It's great that developers are including some affordable housing, but much more affordable housing could be provided if the projects instead paid more fees into the Housing Trust Fund. Fees paid into the fund can be used to leverage funds from other sources, meaning about three times more affordable housing can be built through the Housing Trust Fund than can be built if the project includes affordable units on site.

The City density bonus would let developers gain the bonus units they can get under the State density bonus but to do by paying a fee instead of including affordable housing in the project. (The State density bonus can be obtained only by providing affordable housing on site, not by paying a fee.)

We move the original Recommendation with the following amendments:

1. Apply the affordable housing mitigation fee to all units in the project, including the bonus units, if supportable. The City density bonus fee would apply just to the base units, not the bonus units.
2. Request the City staff also to consider the feasibility of including requirements for local hiring, job training programs and the payment of prevailing wages. Should labor standards requirements be found to be feasible, staff should include in its draft ordinance monitoring and enforcement options for such requirements. Among other options, staff should investigate the merits of monitoring and enforcement language adopted by UC Berkeley for its University Village project in Albany as well as the City's Community Workforce Agreement.
3. Request staff to evaluate the proposal, including the above labor provisions and the change regarding which units would pay the affordable housing mitigation fee, to determine if it provides a sufficient incentive for developers to exercise the City density bonus option, and to ask staff to consider how it should be adjusted if the proposed fee structure is found to be either too high or overly generous for developers.