



Office of the City Manager

ACTION CALENDAR

February 19, 2019

To: Honorable Mayor and Members of the City Council

From: Dee Williams-Ridley, City Manager

Submitted by: Kelly Wallace, Interim Director, Health, Housing & Community Services

Subject: Companion Report: Assessment of Vacant Properties

RECOMMENDATION

Refer the issue of vacant housing units to Council's process for setting priorities for Measure O funds.

FISCAL IMPACTS OF RECOMMENDATION

Fiscal impacts will depend on what action Council chooses. It is also likely that some property owners would require financial support from the City in order to bring their vacant units onto the market.

CURRENT SITUATION AND ITS EFFECTS

The Human Welfare and Community Action Commission (HWCAC) recommended that the Council direct the City Manager develop a plan to locate 3,754 vacant housing units identified in the City's Fiscal Years 2018 & 2019 Adopted Biennial Budget. The HWCAC proposed this as a short-term strategy to bring properties onto the market and boost the supply of available rental properties in Berkeley. Maximizing the use of Berkeley's existing housing stock is in concept an efficient way to make more housing available, and the specific task proposed by the HWCAC is complex.

The identification and assessment of all of Berkeley's vacant apartments, an inventory which changes daily, would be time-intensive, and is beyond the scope and capacity of the current housing staff. Staff would need to dedicate a significant amount of time to undertake a survey of Berkeley multifamily properties to determine how many units are currently vacant, and to assess what each unit or property owner needs in order for those units to come onto the market. Staff would need to interview property owners regarding vacancies, assess property conditions, undertake title research, and generally spend a significant amount of time assessing barriers to occupancy. In addition to housing staff, the City Attorney's Office would likely need to evaluate the tools available to City staff for encouraging full occupancy. Since these housing units are privately owned, those tools would be limited to acquiring properties or supporting another organization to acquire them from willing owners, or making loans to willing owners. Because this would likely require the addition of new staff, this proposed strategy should be considered by Council as they establish Measure O priorities.

In the past six months, the City has taken action to encourage occupancy of vacant units. On July 24, 2018, Council adopted the second reading of Ordinance No. 7,622-N.S. that amended the Berkeley Municipal code to specify that residential buildings that are vacant for more than 120 consecutive days could be declared an unlawful nuisance if they also meet one of five other conditions of blight. The intent of the ordinance is to both reduce blight and encourage property owners to bring their vacant buildings back onto the market.

In addition, on October 16, 2018, Council adopted Resolution No. 68,624-N.S. to approve a \$50,000 grant to support Bay Area Community Land Trust's (BACLT) capacity building efforts in relation to the City's new Small Sites Program. BACLT will use the funds to support increased staffing, and to identify prospective properties for the Small Sites Program, which could include small, multifamily rental properties that are vacant.

BACKGROUND

Some level of vacancy is always present in a housing market. The 2015 American Community Survey (ACS) estimate listed in the City's budget report represents a point in time count of vacant housing units in Berkeley. The 2017 ACS estimated 3,622 vacant housing units in Berkeley, or about 7.4% of the total housing stock. This number represents individual vacant units, not vacant buildings. Some vacancy is normal in the housing market, and based on ACS data Berkeley's rate is on par with statewide (7.9%) and inner Bay Area trends (8.1% in San Francisco and 5.8% in Oakland).

The reasons properties are vacant at any given point are varied and complicated. ACS reported that about half (1,761) of Berkeley's housing units were vacant for one of the following typical market reasons:

- The property was actively listed for rent;
- The property was rented, but not currently occupied;
- The property was for sale;
- The property was sold, but not currently occupied; and
- The property was vacant, and only occupied seasonally or recreationally.

The remaining 1,861 housing units were vacant for other reasons not listed, but could be attributed to various factors. Owners may be preparing for sale or working on renovations between tenants. Sometimes properties are acquired by groups of heirs who are unable to organize to operate a property.

Approximately 84% of Berkeley's housing units are in buildings with fewer than 20 units. In a 10 unit building, one vacant unit under renovation between tenants translates to 10% vacancy. In addition, small, family property owners may take longer than property management companies to renovate units at tenant turnover, because of their capacity for managing contractors, ability to pay, or other reasons.

ENVIRONMENTAL SUSTAINABILITY

There are no identifiable environmental effects or opportunities associated with the subject of this report.

RATIONALE FOR RECOMMENDATION

Berkeley's current vacancy rate is similar to most housing markets. The vacant housing units are owned by private owners and are scattered in buildings across the City. In most cases, the City's remedies for vacant units are limited to supporting sale or rehabilitation by a willing owner and identifying those units will require a commitment of staff time. For this reason, the City should consider the HWCAC's recommendation in the context of Measure O priorities.

ALTERNATIVE ACTIONS CONSIDERED

The issue of vacant housing units could be incorporated into to Council's referral prioritization process or the Housing Action Plan.

CONTACT PERSON

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