



URGENT ITEM AGENDA MATERIAL

Government Code Section 54954.2(b)
Rules of Procedure Chapter III.C.5

THIS ITEM IS NOT YET AGENDIZED AND MAY OR MAY NOT BE ACCEPTED FOR THE AGENDA AS A LATE ITEM, SUBJECT TO THE CITY COUNCIL'S DISCRETION ACCORDING TO BROWN ACT RULES

Meeting Date: May 24, 2022

Item Description: Support for Full Funding of the Community Anti-Displacement and Preservation Program in the California Budget Act of 2022

This item is submitted pursuant to the provision checked below:

Emergency Situation (54954.2(b)(1) - majority vote required)
Determination by a majority vote of the legislative body that an emergency situation exists, as defined in Section 54956.5.

Immediate Action Required (54954.2(b)(2) - two-thirds vote required)
There is a need to take immediate action and the need for action came to the attention of the local agency subsequent to the agenda for this meeting being posted.

Once the item is added to the agenda (Consent or Action) it must be passed by the standard required vote threshold (majority, two-thirds, or 7/9).

Facts supporting the addition of the item to the agenda under Section 54954.2(b) and Chapter III.C.5 of the Rules of Procedure:

The California Senate and Assembly Budget Committees will hold hearings on the Community Anti-Displacement and Preservation Program during the week of May 23-27 and the final budget bill must be approved no later than June 15. City Council's next regular meeting is scheduled for June 14, which does not provide state legislators sufficient time to consider the City of Berkeley's statement of support. The Governor's May Revise Budget subsequent to the agenda for this meeting being posted.



Kate Harrison
Vice Mayor, District 4

CONSENT CALENDAR
May 24, 2022

To: Honorable Members of the City Council

From: Vice Mayor Kate (Author), Mayor Arreguín

Subject: Support for Full Funding of the Community Anti-Displacement and Preservation Program in the California Budget Act of 2022

RECOMMENDATION

Send a resolution in support of full funding for the Community Anti-Displacement and Preservation Program in the state budget for the 2022-2023 fiscal year to Senator Skinner, Senator Kamlager, Assemblymember Ting, Assemblymember Carrillo, Assemblymember Wicks, Assemblymember Bloom, and Governor Gavin Newsom, and the California State Senate's Standing Committee on Budget and Fiscal Review. The Community Anti-Displacement and Preservation Program will provide state funding for the acquisition and rehabilitation of unsubsidized affordable rental housing to prevent displacement and enable mission-oriented affordable housing developers to preserve these properties as permanently affordable homes.

BACKGROUND

Berkeley will face significant challenges in meeting the housing needs of its residents over the coming years, particularly the needs of its low and very low income tenants. Berkeley must provide 2,446 housing units affordable to very low income residents and 1,408 units affordable to low income residents during the 2023-2030 planning cycle, which represent increases of about 360% and 219%, respectively, from the 2015-2022 cycle.¹ This is a matter of key concern for community members – respondents to the Berkeley Housing Element Survey show homelessness, the high cost of homeownership, and high rental costs are considered the most critical housing challenges in Berkeley.² Preventing displacement is also a matter of racial equity. Prior to the temporary residential eviction moratorium that Berkeley enacted during the COVID-19 pandemic, low-income Black tenants living in West and South Berkeley saw the highest levels of displacement.³

Meeting these housing needs will require a comprehensive approach to the housing affordability and displacement crisis that addresses each of the “3 P’s:” the Production of new affordable

¹ *Housing Element Update*, CITY OF BERKELEY, <https://berkeleyca.gov/construction-development/land-use-development/general-plan-and-area-plans/housing-element-update> (last visited May 18, 2022).

² CITY OF BERKELEY, BERKELEY HOUSING ELEMENT CITY-WIDE SURVEY SUMMARY RESULTS 3 (Dec. 2021), https://berkeleyca.gov/sites/default/files/2022-03/2021-12-20_BerkeleyHousingElement_SurveyResults.pdf.

³ URBAN DISPLACEMENT PROJ. & CAL. HOUS. P'SHIP, RISING HOUSING COSTS AND RE-SEGREGATION IN ALAMEDA COUNTY 3 (2021), https://www.urbandisplacement.org/wp-content/uploads/2021/08/alameda_final.pdf.

housing, the Protection of low-income tenancies, and the Preservation of existing affordable housing in our community. The Community Anti-Displacement and Preservation Program (“CAPP”) will commit critically needed state financial resources to support community-led preservation efforts.

Preserving the affordable homes that already exist in our community will ensure that any new housing produced in Berkeley will grow our overall supply and mitigate the potential for new market-rate developments to displace low-income tenants. Many types of affordable housing that are subsidized include legal protections for tenants and mandatory notice provisions that create opportunities to preserve these properties. In contrast, unsubsidized (sometimes referred to as “naturally occurring”) affordable housing units carry no such protections, which puts these properties at high risk of being redeveloped and converted to market-rate rentals. A recent analysis by the California Housing Partnership found that there are over 53,600 lower-rent apartments in unsubsidized affordable housing properties in Alameda County that are at risk of being converted to market-rate rentals.⁴

Opportunities to preserve unsubsidized affordable housing in Berkeley are also very limited because of extreme competition from highly resourced speculators and individuals wealthy enough to make all-cash offers well above the asking price when these properties go up for sale.⁵ This competition has only intensified during the pandemic.⁶ As the City works to implement policies such as the proposed Tenant Opportunity to Purchase Act (TOPA) that establish legal rights and process to create more opportunities to preserve these homes, new sources of quickly-deployable capital are needed to enable mission-oriented affordable housing providers to make the most of these opportunities.

Preservation is a promising and cost-effective approach to meeting Berkeley’s housing needs, as acquiring and rehabilitating existing affordable housing units costs around 50-70% of the per-unit cost to produce new affordable housing in the Bay Area.⁷ Nevertheless, the high cost of land and housing in our region will require substantial funding from multiple sources to enable mission-oriented organizations such as community land trusts to purchase properties, rehabilitate them, and steward them as permanently affordable homes. California’s state budget is one promising source of funding, as Governor Newsom recently announced that the state of California will see an unprecedented \$97.5 billion budget surplus in the 2022-2023 fiscal year.⁸

CAPP will commit \$500 million of this surplus budget to create an innovative partnership between the California Department of Housing and Community Development, community development financial institutions, and local governments to provide short-term acquisition capital and long-term public subsidy through a single, streamlined program. These funds can be

⁴ CAL. HOUS. P’SHP, AFFORDABLE HOMES AT RISK 6 (Feb. 2022), <https://1p08d91kd0c03rlxhmhtydpr-wpengine.netdna-ssl.com/wp-content/uploads/2022/02/Affordable-Homes-At-Risk-Report-2022.pdf>.

⁵ Louis Hansen, *Is Now the Hardest Time to Buy a Bay Area Home?*, MERCURY NEWS (Mar. 20, 2022, 6:05 PM), <https://www.mercurynews.com/2022/03/20/is-now-the-hardest-time-to-buy-a-bay-area-home/>.

⁶ Kevin Schaul and Jonathan O’Connell, *Investors Bought a Record Share of Homes in 2021*, WASH. POST (Feb. 16, 2022), <https://www.washingtonpost.com/business/interactive/2022/housing-market-investors/>.

⁷ James Yellen, PRESERVING AFFORDABILITY, PREVENTING DISPLACEMENT: ACQUISITION-REHABILITATION OF UNSUBSIDIZED AFFORDABLE HOUSING IN THE BAY AREA 25 (Apr. 2020), <https://www.enterprisecommunity.org/sites/default/files/2021-07/preserving-affordability-preventing-displacement.pdf>.

⁸ OFFICE OF GOV. GAVIN NEWSOM, 2022-2023 MAY BUDGET REVISION 2 (MAY 2022), <https://www.ebudget.ca.gov/2022-23/pdf/Revised/BudgetSummary/FullBudgetSummary.pdf>.

leveraged to access additional funding through the federal Low-Income Housing Tax Credit program and could be allowed to revolve so that they can be used again by future tenants. It is forecasted that the initial investment in CAPP will prevent displacement and housing instability for an estimated 4,500 California households and up to 49,500 households over the next 55 years if these funds are allowed to revolve.⁹ The program will also provide targeted technical assistance and resources to mission-oriented affordable housing providers, such as community land trusts, which provide an important and significant segment of the permanently affordable homes that exist in Berkeley.

Last year, Berkeley City Council successfully pushed state legislators to fully-fund the Foreclosure Intervention Housing Preservation program, which resulted in the allocation of \$500 million in state funds to preserve homes facing foreclosure.¹⁰ Fully funding CAPP this year will build on this success and provide acquisition capital and capacity building support for community-led, mission-oriented organizations to preserve unsubsidized affordable homes outside of the foreclosure context.

FINANCIAL IMPLICATIONS

None

ENVIRONMENTAL SUSTAINABILITY

No direct identifiable environmental sustainability savings are associated with this item. However, fully funding CAPP is likely to increase the supply of affordable housing, reducing greenhouse gas emissions by preventing families from being displaced and forced to commute long distances to jobs and services in the City of Berkeley, which is a key strategy in the realization of Berkeley's Climate Action and resiliency goals.

CONTACT PERSONS

Vice Mayor Kate Harrison 510-981-7140

ATTACHMENTS:

1. Resolution
2. Letters

⁹ Justine Marcus, *Enterprise and Partners Lead Effort for California Preservation Resources*, ENTERPRISE COMMUNITY PARTNERS, INC., <https://www.enterprisecommunity.org/blog/enterprise-and-partners-lead-effort-california-preservation-resources>.

¹⁰ City of Berkeley Resolution No. 69,906-N.S., available at <https://records.cityofberkeley.info/PublicAccess/api/Document/AdZunzL3Y74easEpGCEg5JJYFZgEmHA0cqjg4a7hhYeftXWf8PLDAU5c%C3%810pfnsuEqAWSifoUsLKoBRdW0eDIIxo%3D/>.

RESOLUTION NO. ##,###-N.S.

CITY OF BERKELEY SUPPORT FOR FULL FUNDING OF THE
COMMUNITY ANTI-DISPLACEMENT AND PRESERVATION PROGRAM
IN THE CALIFORNIA BUDGET ACT OF 2022

WHEREAS, the Community Anti-Displacement and Preservation Program (“CAPP”) will provide critically needed state funding for the acquisition and preservation of unsubsidized affordable rental housing; and

WHEREAS, CAPP will create an innovative partnership between the California Department of Housing & Community Development, community development financial institutions, and local governments to provide short-term acquisition capital and long-term public subsidy through a single, streamlined program; and

WHEREAS, an initial investment of \$500 million in CAPP in FY 2022-2023 will prevent displacement and housing instability for an estimated 4,500 California households and up to 49,500 households over the next 55 years if these funds are allowed to revolve; and

WHEREAS, CAPP will include targeted technical assistance and community resources to grow the capacity of mission-driven local organizations such as community land trusts, which are important providers of permanently affordable housing here in Berkeley; and

WHEREAS, CAPP acquisition and rehabilitation funding will complement the City of Berkeley’s own efforts to preserve affordable housing such as the Small Sites Program and proposed Tenant Opportunity to Purchase Act (TOPA) program and contribute vital financial resources to enhance the effectiveness of such programs; and

WHEREAS, results from the Berkeley Housing Element Survey show homelessness, the high cost of homeownership, and high rental costs are considered the most critical housing challenges in Berkeley; and

WHEREAS, recent analysis by the California Housing Partnership found that there are over 53,600 lower-rent apartments in unsubsidized (“naturally occurring”) affordable housing properties in Alameda County; and

WHEREAS, the Association of Bay Area Governments recently determined that the City of Berkeley must provide 2,446 housing units affordable to very low income residents and 1,408 units affordable to low income residents during the 2023-2030 planning cycle, which represent increases of about 360% and 219%, respectively, from the previous planning cycle; and

WHEREAS, analysis from Enterprise Community Partners has shown that acquiring and rehabilitating existing affordable housing units costs around 50-70% of the per-unit cost to produce new affordable housing; and

WHEREAS, the Governor's May Budget Revision forecasts an unprecedented surplus of \$97.5 billion for the 2022-2023 fiscal year; and

WHEREAS, prior to the temporary residential eviction moratorium Berkeley enacted during the COVID-19 pandemic, low-income Black tenants living in West and South Berkeley saw the highest levels of displacement, which makes the preservation of affordable homes and stabilization of low-income tenants an important matter of racial equity in Berkeley; and

WHEREAS, more than 80 community-based organizations, philanthropic foundations, community land trusts, affordable housing developers, and community development finance institutions in California have endorsed fully-funding CAPP; and

WHEREAS, CAPP would fill an unmet need in Berkeley for quickly-deployable capital that can be used to purchase unsubsidized affordable rental housing off of the speculative market to preserve its affordability and stabilize current residents.

NOW, THEREFORE BE IT RESOLVED by the Council of the City of Berkeley that it hereby supports an appropriation of \$500 million for the Community Anti-Displacement and Preservation Program in the California Budget Act of 2022.

BE IT FURTHER AND FINALLY RESOLVED that copies of this Resolution be sent to Governor Gavin Newsom, State Senators Nancy Skinner and Sydney Kamlager, and Assemblymembers Buffy Wicks, Phil Ting, Richard Bloom, and Wendy Carillo.

The Honorable Governor Newsom
1021 O Street, Suite 9000
Sacramento, CA 95814

Re: Support of Full Funding of the Community Anti-displacement and Preservation Program in the California Budget Act of 2022

Dear Honorable Governor Newsom:

The Berkeley City Council would like to convey its urgent support for the full funding of the Community Anti-displacement and Preservation Program (“CAPP”) in the California Budget Act of 2022. A \$500 million investment in CAPP would fill an unmet need in Berkeley and other cities for quickly-deployable capital that can be used to preserve unsubsidized affordable housing.

While subsidized affordable housing typically includes legal protections for tenants and mandatory notice provisions that create opportunities to preserve these properties, unsubsidized affordable housing units carry no such protections. This puts these properties at high risk of being redeveloped and converted to market-rate rentals. As the City of Berkeley works to update its Housing Element plan to meet the housing needs of residents of all income levels, the need to preserve these homes to meet the housing needs of our low- and very low-income tenants is striking. Furthermore, prior to the temporary residential eviction moratorium Berkeley enacted during the COVID-19 pandemic, low-income Black tenants living in West and South Berkeley saw the highest levels of displacement, which makes the preservation of affordable homes to stabilize low-income tenants an important matter of racial equity in Berkeley.

The preservation of existing affordable housing is a promising and cost-effective approach to meeting our Bay Area’s housing needs, as the cost of preservation is typically a fraction of the cost to produce new units. Nevertheless, the high cost of land and housing in our region will require substantial funding from multiple sources to enable mission-oriented organizations such as community land trusts to purchase properties, rehabilitate them, and steward them as permanently affordable homes.

CAPP will create an innovative partnership between the California Department of Housing and Community Development, community development financial institutions, and local governments to provide short-term acquisition capital and long-term public subsidy through a single, streamlined program. CAPP will also provide targeted technical assistance and community resources to grow the capacity of local mission-oriented affordable housing providers such as community land trusts to preserve more unsubsidized affordable homes as permanently affordable housing. The proposed \$500 million investment in CAPP is expected to preserve 4,500 homes, and could end up helping over 49,500 families over the next 55 years if these funds are allowed to revolve.

Preserving the affordable homes that already exist in our community will stabilize our current residents and ensure that any new housing produced in Berkeley will grow our overall supply. Additionally, by preventing families from being displaced from our community, successful preservation efforts will reduce long commutes and greenhouse gas emissions. Investing in CAPP during this banner budget year will allow local governments like the City of Berkeley support equitable place-based investment in historically disinvested neighborhoods.

For these reasons, the Berkeley City Council strongly supports an appropriation of \$500 million for the Community Anti-displacement and Preservation Program in California's budget for the 2022-2023 fiscal year.

Thank you for your leadership and consideration.

Sincerely,

The Berkeley City Council

The Honorable Senator Nancy Skinner
1021 O Street, Suite 8630
Sacramento, CA 95814

Re: Support of Full Funding of the Community Anti-displacement and Preservation Program in the California Budget Act of 2022

Dear Honorable Senator Skinner:

The Berkeley City Council would like to convey its urgent support for the full funding of the Community Anti-displacement and Preservation Program (“CAPP”) in the California Budget Act of 2022. A \$500 million investment in CAPP would fill an unmet need in Berkeley and other cities for quickly-deployable capital that can be used to preserve unsubsidized affordable housing.

While subsidized affordable housing typically includes legal protections for tenants and mandatory notice provisions that create opportunities to preserve these properties, unsubsidized affordable housing units carry no such protections. This puts these properties at high risk of being redeveloped and converted to market-rate rentals. As the City of Berkeley works to update its Housing Element plan to meet the housing needs of residents of all income levels, the need to preserve these homes to meet the housing needs of our low- and very low-income tenants is striking. Furthermore, prior to the temporary residential eviction moratorium Berkeley enacted during the COVID-19 pandemic, low-income Black tenants living in West and South Berkeley saw the highest levels of displacement, which makes the preservation of affordable homes to stabilize low-income tenants an important matter of racial equity in Berkeley

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For these reasons, the Berkeley City Council strongly supports an appropriation of \$500 million for the Community Anti-displacement and Preservation Program in California's budget for the 2022-2023 fiscal year.

Thank you for your leadership and consideration.

Sincerely,

The Berkeley City Council

The Honorable Senator Sydney Kamlager
1021 O Street, Suite 6510
Sacramento, CA 95814

Re: Support of Full Funding of the Community Anti-displacement and Preservation Program in the California Budget Act of 2022

Dear Honorable Senator Kamlager:

The Berkeley City Council would like to convey its urgent support for the full funding of the Community Anti-displacement and Preservation Program (“CAPP”) in the California Budget Act of 2022. A \$500 million investment in CAPP would fill an unmet need in Berkeley and other cities for quickly-deployable capital that can be used to preserve unsubsidized affordable housing.

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For these reasons, the Berkeley City Council strongly supports an appropriation of \$500 million for the Community Anti-displacement and Preservation Program in California's budget for the 2022-2023 fiscal year.

Thank you for your leadership and consideration.

Sincerely,

The Berkeley City Council

The Honorable Assemblymember Buffy Wicks
1021 O Street, Suite 4240
P.O. Box 942849,
Sacramento, CA 94249-0015

Re: Support of Full Funding of the Community Anti-displacement and Preservation Program in the California Budget Act of 2022

Dear Honorable Assemblymember Wicks:

The Berkeley City Council would like to convey its urgent support for the full funding of the Community Anti-displacement and Preservation Program (“CAPP”) in the California Budget Act of 2022. A \$500 million investment in CAPP would fill an unmet need in Berkeley and other cities for quickly-deployable capital that can be used to preserve unsubsidized affordable housing.

While subsidized affordable housing typically includes legal protections for tenants and mandatory notice provisions that create opportunities to preserve these properties, unsubsidized affordable housing units carry no such protections. This puts these properties at high risk of being redeveloped and converted to market-rate rentals. As the City of Berkeley works to update its Housing Element plan to meet the housing needs of residents of all income levels, the need to preserve these homes to meet the housing needs of our low- and very low-income tenants is striking. Furthermore, prior to the temporary residential eviction moratorium Berkeley enacted during the COVID-19 pandemic, low-income Black tenants living in West and South Berkeley saw the highest levels of displacement, which makes the preservation of affordable homes to stabilize low-income tenants an important matter of racial equity in Berkeley

The preservation of existing affordable housing is a promising and cost-effective approach to meeting our Bay Area’s housing needs, as the cost of preservation is typically a fraction of the cost to produce new units. Nevertheless, the high cost of land and housing in our region will require substantial funding from multiple sources to enable mission-oriented organizations such as community land trusts to purchase properties, rehabilitate them, and steward them as permanently affordable homes.

CAPP will create an innovative partnership between the California Department of Housing and Community Development, community development financial institutions, and local governments to provide short-term acquisition capital and long-term public subsidy through a single, streamlined program. CAPP will also provide targeted technical assistance and community resources to grow the capacity of local mission-oriented affordable housing providers such as community land trusts to preserve more unsubsidized affordable homes as permanently affordable housing. The proposed \$500 million investment in CAPP is expected to preserve 4,500 homes, and could end up helping over 49,500 families over the next 55 years if these funds are allowed to revolve.

Preserving the affordable homes that already exist in our community will stabilize our current residents and ensure that any new housing produced in Berkeley will grow our overall supply. Additionally, by preventing families from being displaced from our community, successful preservation efforts will reduce long commutes and greenhouse gas emissions. Investing in CAPP during this banner budget year will allow local governments like the City of Berkeley support equitable place-based investment in historically disinvested neighborhoods.

For these reasons, the Berkeley City Council strongly supports an appropriation of \$500 million for the Community Anti-displacement and Preservation Program in California's budget for the 2022-2023 fiscal year.

Thank you for your leadership and consideration.

Sincerely,

The Berkeley City Council

The Honorable Assemblymember Phil Ting
P.O. Box 942849
Sacramento, CA 94249-0019

Re: Support of Full Funding of the Community Anti-displacement and Preservation Program in the California Budget Act of 2022

Dear Honorable Assemblymember Ting:

The Berkeley City Council would like to convey its urgent support for the full funding of the Community Anti-displacement and Preservation Program (“CAPP”) in the California Budget Act of 2022. A \$500 million investment in CAPP would fill an unmet need in Berkeley and other cities for quickly-deployable capital that can be used to preserve unsubsidized affordable housing.

While subsidized affordable housing typically includes legal protections for tenants and mandatory notice provisions that create opportunities to preserve these properties, unsubsidized affordable housing units carry no such protections. This puts these properties at high risk of being redeveloped and converted to market-rate rentals. As the City of Berkeley works to update its Housing Element plan to meet the housing needs of residents of all income levels, the need to preserve these homes to meet the housing needs of our low- and very low-income tenants is striking. Furthermore, prior to the temporary residential eviction moratorium Berkeley enacted during the COVID-19 pandemic, low-income Black tenants living in West and South Berkeley saw the highest levels of displacement, which makes the preservation of affordable homes to stabilize low-income tenants an important matter of racial equity in Berkeley.

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For these reasons, the Berkeley City Council strongly supports an appropriation of \$500 million for the Community Anti-displacement and Preservation Program in California's budget for the 2022-2023 fiscal year.

Thank you for your leadership and consideration.

Sincerely,

The Berkeley City Council

The Honorable Assemblymember Richard Bloom
P.O. Box 942849
Room 4001
Sacramento, CA 94249-0050

Re: Support of Full Funding of the Community Anti-displacement and Preservation Program in the California Budget Act of 2022

Dear Honorable Assemblymember Bloom:

The Berkeley City Council would like to convey its urgent support for the full funding of the Community Anti-displacement and Preservation Program (“CAPP”) in the California Budget Act of 2022. A \$500 million investment in CAPP would fill an unmet need in Berkeley and other cities for quickly-deployable capital that can be used to preserve unsubsidized affordable housing.

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Thank you for your leadership and consideration.

Sincerely,

The Berkeley City Council

The Honorable Assemblymember Wendy Carillo
P.O. Box 942849
Sacramento, CA 94249-0051

Re: Support of Full Funding of the Community Anti-displacement and Preservation Program in the California Budget Act of 2022

Dear Honorable Assemblymember Carillo:

The Berkeley City Council would like to convey its urgent support for the full funding of the Community Anti-displacement and Preservation Program (“CAPP”) in the California Budget Act of 2022. A \$500 million investment in CAPP would fill an unmet need in Berkeley and other cities for quickly-deployable capital that can be used to preserve unsubsidized affordable housing.

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