

**ACTION CALENDAR**

March 25, 2021

**To:** Members of the City Council

**From:** Vice Mayor Lori Droste, Mayor Jesse Arreguín,  
Councilmember Rashi Kesarwani and Councilmember Terry Taplin

**Subject:** Initiation of Public Process and Zoning Concepts for 2023-2031 Housing Element Update

**RECOMMENDATION**

Refer to the City Manager and Planning Commission to initiate an inclusive 18 month public process to develop the state-mandated update to the Housing Element of the Berkeley's General Plan and forward the following key principles and zoning concepts for consideration to achieve equitable and sustainable housing and compliance with new Regional Housing Needs Allocation (RHNA) requirements.

**KEY PRINCIPLES**

Staff, consultants, and the Planning Commission should incorporate the following key principles (further explained in Background section) in their work developing an updated Housing Element and the necessary zoning changes and General Plan amendments:

- **Robust Community Engagement**
- **Equity – geographic equity, equity in housing types and access**
- **Affordability and Community Benefits**
- **Public Safety**
- **Transit Proximity and Reducing Vehicles Miles Traveled**
- **Design, Neighborhood Context, and Historic Preservation**
- **Tenant Protections, Anti-Displacement, and Anti-Speculation Provisions**

## **ZONING CONCEPTS**

Planning staff, consultants, and the Planning Commission should consider and evaluate the following zoning concepts as part of the Housing Element process:

- ***Prioritizing new housing in Priority Development Areas (PDAs)***  
The Planning Commission should prioritize housing development in areas designated as Priority Development Areas. Cities with PDAs have access to significant additional funding and plans and infrastructure improvements focused in those areas.
- ***Focus growth on transit and commercial corridors***  
Transit corridors are defined as corridors with an existing rail station or bus stop with peak service frequency of 15 minutes or less to accommodate the vast majority of new homes required pursuant to the RHNA allocation for the City of Berkeley.
- ***Equitable Neighborhood Scale Housing***
  - Enable two, three and four units on parcels in the R-1, R-1A, R-2 and R-2A and other building forms that are *similar in scale* to building forms currently allowable in these zones (except for areas with public safety impacts). Allow the subdivision of existing single family homes, standalone multi-family structures or multiple units on a single family parcel.
  - Incentivize Accessory Dwelling Units and Junior ADUs on single family parcels.
  - Ensure that neighborhood scale housing is in a manner that is similar in look and scale to existing residential housing forms in these zoning districts.
  - Permit a variety of building types (attached, detached, bungalow courts) to maximize flexibility, neighborhood scale and potential opportunities for home ownership (split lots and condominiums)
  - Maintain historic fabric and character of neighborhoods, including prohibitions on the demolition of historically designated properties, limitations on the demolition of building facades or replacements resulting in significant increase in building mass.

The City Council directs the City Manager to initiate this work immediately and the Planning Commission to incorporate zoning reform and updating the Housing Element into its 2021 and 2022 work plan. Staff and the commission, with consultants, should conduct extensive community outreach during the course of this update and examine how other cities, such as Minneapolis, Portland, Austin, San Diego, and Sacramento have prepared for and implemented similar missing middle housing.

## **BACKGROUND**

California law requires that communities adequately plan to meet the housing needs for everyone in the community by adopting a Housing Element that “provides opportunities for (and does not unduly constrain) housing development.”<sup>1</sup> In 2021, the Association of Bay Area Governments (ABAG) approved the draft Regional Housing Needs Allocation (RHNA) for 2023-2031, which requires each community to plan and zone for a significant number of new homes at all income levels—from very low to above moderate— by January 2023.<sup>2</sup> In Berkeley, our community is required to plan for an additional 8,934 homes, a 201 percent increase over the City’s prior RHNA allocation eight years ago, as follows:

FIGURE 1: CITY OF BERKELEY’S DRAFT REGIONAL HOUSING NEEDS ALLOCATION					
	VERY LOW INCOME <50% of Area Median Income	LOW INCOME 50%-80% of Area Median Income	MODERATE INCOME 80%-120% of Area Median Income	ABOVE MODERATE INCOME >120% of Area Median Income	TOTAL
2014-2022	532	442	584	1401	2,959
2023-2031	2,446	1,408	1,416	3,664	8,934
Increase	+1,914	+966	+832	+2,263	+5,975

In response to regional state-mandated requirement to zone for 8,934 new homes at all income levels, the City Manager is requested to initiate the process of updating our Housing Element considering the Key Principles and Zoning Concepts presented in this item.

## **KEY PRINCIPLES**

### ***Robust Community Engagement***

General Plan revisions or Housing Element updates are always accompanied by community engagement processes. However, by initiating the update process and community engagement *now*, the authors are seeking *greater* community input than has previously been required during Housing Element updates. In previous Housing Element cycles, community engagement didn’t begin until the fall prior to the Housing Element adoption deadline. Although Council is not required to adopt the new Housing Element until December of 2022, the authors want to spend additional months engaging the community due to the new large state-mandated housing unit allocations.

<sup>1</sup> Regional Housing Needs Allocation and Housing Elements. (2021). *Housing and Community Development*. <https://www.hcd.ca.gov/community-development/housing-element/index.shtml>

<sup>2</sup> The Regional Housing Needs Development is based on a California Department of Finance formula, available here: [https://abag.ca.gov/sites/default/files/rhnd\\_overview\\_0.pdf](https://abag.ca.gov/sites/default/files/rhnd_overview_0.pdf)

Staff and consultants should launch a robust community process with specific focus on affected neighborhoods and businesses. Per local and state Housing Element update protocol, staff and hired consultants will consult with the community in various forums. Suggested forums include advertised neighborhood meetings, surveys, design charrettes, and online forums to allow comments on Housing Element drafts and zoning proposals. This should be in addition to any legally required public hearings.

The Planning Commission will engage with the public with input from City commissions working on issues related to environment, housing, homelessness, disability, equity, and health as well as the Berkeley Rent Stabilization Board.

Staff and hired consultants will also reach out to a variety of stakeholder groups in person, via email and on social media, targeting community members and organizations, including but not limited to:

- Local neighborhood, environmental, student, housing and climate organizations;
- Residents in sensitive communities and communities of concern
- Groups who have historically been marginalized from planning processes (low-income residents, communities of color, working parents of young children, English-as-a-Second-Language residents, etc.); and
- Nonprofit and for-profit housing providers

### ***Equity – Geographic equity and equity in housing types and access***

Policies, opportunity site identification, and any necessary rezoning should ensure geographic equity in housing opportunities throughout the City of Berkeley, including allowing neighborhood scale housing in residential neighborhoods. The Housing Element should also prioritize a diversity of housing types including larger multi-unit structures, and smaller projects including Accessory Dwelling Units, Junior Accessory Dwelling Units, duplexes, triplexes, and fourplexes including subdivision of existing single family homes, attached and detached structures, and bungalow courts. In addition, the Housing Element should encourage alternative housing models including cooperatives, land trusts, and social housing concepts as well as home ownership models. Equity in access and affordability of housing should be a key priority in the development of policies and zoning.

### ***Affordability and Community Benefits***

The Planning Commission, staff and consultants should seek to maximize opportunities for the development and preservation of Below Market Rate (BMR) units in a manner which is financially feasible. Considerations may include, but is not limited to density bonuses, Affordable Housing Trust Fund fees, overlays, zoning or streamlining incentives. Additionally, the equitable residential zoning recommendations permits

affordable housing and other affordability models, like social housing, land trusts, or cooperatives, in many areas where it is currently barred.

Zoning changes should take into consideration the City Council's 2017 Resolution No. 68,133-N.S. requiring evaluation of land value recapture as part of any rezoning or area plan process along with financial feasibility, and consider the potential for additional community benefits including but not limited to: labor standards, affordable units/funding, streetscape improvements, and/or transportation benefits.

### **Public Safety**

With any zoning changes, public safety is a primary concern and Berkeley City Council passed a resolution reaffirming this.<sup>3</sup> While zoning reform should examine all residential and commercial districts, the following criteria should apply:

- That increased development should not be located in areas at elevated risk from natural hazards that would contribute to excessive risk of loss of life or injury based on objective geological, topographical, seismic, or wildland-urban interface fire safety standards.
- That increased development should not be located in areas with substandard emergency vehicular access, inadequate water pressure, or are exceptionally vulnerable to severe damage or destruction from fire and earthquake hazards based on objective geological, seismic, or wildland-urban interface fire safety standards.

Public safety is of paramount importance and is *already* currently embedded in our regulations that govern zoning changes, including a '[Disaster Preparedness and Safety](#)' element within Berkeley's General Plan which was further updated with an appendix on [Local Hazard Mitigation](#). Furthermore, several statewide resources –[Fire Hazard Planning Technical Advisory](#) and [Cal Fire's Land Use Planning Program](#), regularly assist the city in planning efforts to properly mitigate fire hazards in the wildland-urban interface, as well as other potential disasters. Potential housing constraints and hazards are also routinely considered and planned for during [Berkeley's Housing Element](#) discussion. Additionally, Housing Element updates and major zoning revisions are subject to California's Environmental Quality Act (CEQA). CEQA analysis takes into account the environmental impact of proposed projects on a variety of factors, including wildfire, water quality, air quality, and hazards.

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<sup>3</sup> "Whereas public safety, in particular in the face of earthquakes, fire, and sea level rise, is of critical importance...Be it further resolved that City Council will pursue zoning reform that takes into account public safety in all parts of Berkeley." City of Berkeley (2021) *Declaring the Intent of the City Council to Allow Multi-Family Housing in Residential Neighborhoods Throughout Berkeley*,

***Transit Proximity and Reducing Vehicles Miles Traveled***

The Housing Element should prioritize policies and zoning requirements that locate new housing in close proximity to existing transit stations and transit lines. Locating housing close to public transit, along with parking minimums and Transportation Demand Management requirements, will incentivize people to take alternative modes of transportation and reduce vehicles miles traveled (VMT). Reducing Vehicle Miles Traveled and greenhouse gas emissions should be a key focus of Housing Element and RHNA compliance. This is critical to meet the City of Berkeley's Climate Action Plan and Climate Emergency goals.

***Design, Neighborhood Context, and Historic Preservation***

With any zoning changes, it is important to consider scale and adopt thoughtful development standards in the zoning code in order to manage maximum building height, building spacing, open space, and privacy, such as through form-based codes and to harmonize with the existing neighborhood. To the greatest extent possible, zoning changes should seek to connect with the existing look and feel of the area or corridor. Adaptive reuse and contextual addition should be incentivized.

The zoning changes should consider specifications to ensure appropriate transitions between a transit-rich area or corridor and an abutting residential street or between adjacent residential parcels by, for example, requiring a stepped-down height or other form-based design features to connect with the look and feel of residential streets.

Additionally, any development that is located within a historic district should be sensitive to surrounding historic resources and not demolish or damage a structure or place that is included in the State Historic Resources Inventory or National Register of Historic Places, or is legally designated or listed as a city or county landmark or historic property or district designated prior to Berkeley's 6th Cycle Housing Element adoption.

Additionally the Planning Commission, staff and consultants should consider a preference for addition and subdivision of units in existing properties over demolition to reduce waste, embodied energy and incentivize the creation of new rent controlled units.

***Tenant Protections, Anti-Displacement, and Anti-Speculation Provisions***

It is essential to ensure that existing tenants are protected and residents do not experience involuntary displacement. The following criteria are suggested:

- That the proposed housing development does not require demolition or elimination of housing that is subject to a recorded covenant, ordinance, or law that restricts rents to levels affordable to persons and families of moderate, low, or very low income, or which otherwise limits the rate at which rents may be increased or the circumstances under which a sitting tenant may be evicted (i.e. subsidized affordable units, inclusionary housing or units under Section 8 contract) or units subject to Berkeley's Rent Stabilization and Eviction for Good Cause Ordinance.
- That if the development would involve the demolition or renovation of any units with sitting tenants or which recently housed (within 5 years) tenants, expanded and permanent tenant protections consistent with Government Code 66300<sup>4</sup> would apply, including but not limited to increased relocation payments and right-to-return and relocation benefits that would also apply to tenants in rental units not covered by Berkeley's Rent Stabilization Ordinance.
- Projects involving the demolition of an existing single family home or multi-unit property to create a new project shall be subject to the city's Demolition Ordinance, BMC Chapter 23C.08.
- Consistent with the city's Demolition Ordinance prohibit demolition if the building was removed from the rental housing market under the Ellis Act during the preceding five years or there have been verified cases of harassment or threatened or actual illegal eviction during the immediately preceding three years.
- Require notice be provided to tenants of an application for demolition, elimination, subdivision, or consolidation of units.
- Prior to adoption of zoning or municipal code changes pursuant to this item, conduct a displacement risk analysis
- Consider other possible ways that zoning changes can be crafted a) to prevent and mitigate negative externalities which could affect low and moderate-income tenants and homeowners (e.g. predatory home buying) and b) increase housing security and equity for low-income homeowners

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<sup>4</sup>Skinner, N. (2019). The Housing Crisis Act of 2019. *California Legislative Information*, [https://leginfo.ca.gov/faces/codes\\_displayText.xhtml?lawCode=GOV&division=1.&title=7.&part=&chapter=12.&article=](https://leginfo.ca.gov/faces/codes_displayText.xhtml?lawCode=GOV&division=1.&title=7.&part=&chapter=12.&article=)

## **ZONING CONCEPTS**

The Planning Commission, staff, and consultants should engage with relevant Boards and Commissions (e.g. Housing Advisory Commission, Transportation Commission, Landmarks Preservation Commission, Rent Stabilization Board), community stakeholders, and technical experts in the areas of financial feasibility, affordable housing, form-based zoning, and other relevant areas of expertise as needed to consider the following zoning concepts:

### **Zoning Concept #1: Prioritizing Growth in PDAS and Transit Corridors**

Planning staff should prioritize growth in designated Priority Development Areas and also explore zoning transit and commercial corridors. Staff should conduct a capacity analysis to determine which additional corridors to include to achieve a compliant Housing Element. Transit corridors are defined as corridors with an existing rail station or bus stop with peak service frequency of 15 minutes or less<sup>5</sup> to accommodate the vast majority of new homes required pursuant to the RHNA allocation for the City of Berkeley.

#### ***Priority Development Areas***

Adeline Priority Development Area  
Downtown Priority Development Area  
San Pablo Priority Development Area

Shattuck Priority Development Area  
Telegraph Priority Development Area  
University Priority Development Area

Specific considerations include:

- ***Prioritization of Housing Development in Priority Development Areas (PDAs)***

The Planning Commission should prioritize housing development in areas designated as Priority Development Areas. Cities with PDAs have access to significant additional funding and plans and infrastructure improvements focused in those areas.

- ***Zoning that is Contextual with the Existing Look and Feel of Areas and Corridors***

Any increases in zoning in Priority Development Areas and transit corridors over the existing baseline zoning envelope should take into account the average parcel size within the area or corridor, street width, underutilized lots, the current mix of residential and commercial uses, as well as the height and building form of existing residential and commercial buildings.

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<sup>5</sup> Using pre-pandemic 2019 AC Transit bus schedules



## **Zoning Concept #2: Equitable, Neighborhood Scale Housing**

Regulate R-1, R-1A, R-2, and R-2A residential zones similarly to allow for a greater degree of density per parcel in all four zones in a manner that is similar in look and scale to existing residential housing forms in these four zones. Newly allowable missing middle housing types can include but are not limited to: duplexes, triplexes, fourplexes and other building forms that are similar in scale to the building forms currently allowable across these zones.

Specific additional *considerations* for residential zoning should include:

- Treatment of Accessory Dwelling Unit(s) and/or Junior Accessory Dwelling Unit(s) in relation to the new development standards in order to ensure adequate lot size, setbacks, and lot coverage.
- Permitting a variety of building types (attached, detached, bungalow courts, etc.) to maximize flexibility and potential opportunities for homeownership (split lots and condominiums).<sup>6</sup>
- Possibility of existing homes/footprints/zoning envelopes to be divided into multiple units, potentially creating homes that are more affordable, saving and lightly modifying an older structure as part of internally dividing it into more than one unit, adhering to habitability and seismic safety standards.<sup>7</sup>
- Standards to preserve historic fabric and character of public street elevations such as limitations on demolition of building facades

## **CURRENT SITUATION AND ITS EFFECTS**

### ***Regional Housing Needs Allocation***

Since October 2019, a subcommittee of the Association of Bay Area Governments (ABAG), made up of elected officials and staff, has been working to draft the Regional Housing Needs Assessment (RHNA) which “calculates the number of housing units assigned to each city and county, and the formula also distributes each jurisdiction’s housing unit allocation.”<sup>8</sup> Identifying and fulfilling RHNA goals are required by state law. As noted by the chart below, Berkeley is responsible for zoning residential capacity for an additional 8,934 units, which is a 201% increase over the previous RHNA allocations (Figure 2).

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<sup>6</sup> Austin, TX allows ADUs to be sold separately.

<sup>7</sup> City of Portland, (2019). *About the Residential Infill Project*. <https://www.portland.gov/bps/rip/about-project>

<sup>8</sup> Regional Housing Needs Allocations Draft Methodology: San Francisco Bay Area 2023-2031. (2021). *Association of Bay Area Governments*. [https://abag.ca.gov/sites/default/files/documents/2021-02/ABAG\\_Draft\\_RHNA\\_Methodology\\_Report\\_2023-2031.pdf](https://abag.ca.gov/sites/default/files/documents/2021-02/ABAG_Draft_RHNA_Methodology_Report_2023-2031.pdf)

Figure 2

**Illustrative Allocations from the Draft RHNA Methodology**

This table shows jurisdiction allocations from the draft RHNA methodology. These are shown for illustrative purposes only.

Following HCD's review of the draft RHNA methodology, ABAG will use the state agency's feedback to develop a final methodology and issue draft allocations in Spring 2021. This will be followed by an appeal period before ABAG issues Final Allocations by the end of 2021. Jurisdiction Housing Elements will be due to HCD by January 2023.

Jurisdiction	VERY LOW INCOME (<50% of Area Median Income)	LOW INCOME (50-80% of Area Median Income)	MODERATE INCOME (80-120% of Area Median Income)	ABOVE MODERATE INCOME (>120% of Area Median Income)	TOTAL
<b>ALAMEDA COUNTY</b>					
Alameda	1,421	818	868	2,246	5,353
Albany	308	178	175	453	1,114
Berkeley	2,446	1,408	1,416	3,664	8,934
Dublin	1,085	625	560	1,449	3,719
Emeryville	451	259	308	797	1,815
Fremont	3,640	2,096	1,996	5,165	12,897
Hayward	1,075	617	817	2,115	4,624
Livermore	1,317	758	696	1,799	4,570
Newark	464	268	318	824	1,874
Oakland	6,511	3,750	4,457	11,533	26,251
Piedmont	163	94	92	238	587
Pleasanton	1,750	1,008	894	2,313	5,965
San Leandro	862	495	696	1,802	3,855
Unincorporated Alameda County	1,251	721	763	1,976	4,711
Union City	862	496	382	988	2,728

The ABAG Regional Housing Needs Allocations were based on a carefully crafted statutory objectives that assessed the entire region in order to:

- increase housing supply and mix of housing types,
- promote infill development and socioeconomic equity,
- promote intra-regional jobs-housing relationship,
- balance disproportionate household income distributions, and
- affirmatively further fair housing.<sup>9</sup>

**Objective 1: Increasing Housing Supply and Mix of Housing Types, Tenure and Affordability**

The nonpartisan California Legislative Analyst's Office examined California's high housing costs and outlined various causes, including a significant housing shortage in California's coastal regions. Beginning in 1980, California's housing construction was significantly slower than national and historic averages.<sup>10</sup> Even though there was a national housing boom in the mid 2000s, California's housing production was relatively

<sup>9</sup>Ibid.

<sup>10</sup> California's High Housing Costs, Causes and Consequences. (2015). *Legislative Analyst's Office*. <https://lao.ca.gov/reports/2015/finance/housing-costs/housing-costs.aspx>

stagnant. Additionally, only 10% of Berkeley's housing units were built after 1980.<sup>11</sup> There are many reasons why housing is expensive but a significant factor is scarcity.<sup>12</sup> Over the time of sluggish construction, California's housing costs began to rise and surpass the rest of the country. Now, Berkeley's home prices are \$1.4 million in comparison with \$269,000 nationally.<sup>13</sup> By contrast, Berkeley's median household income was \$85,530 in 2019, just 25% higher than the national median of \$68,703.<sup>14</sup>

### Housing Construction Has Slowed in California's Coastal Metros

Annual Growth in Housing Units in Major Metros

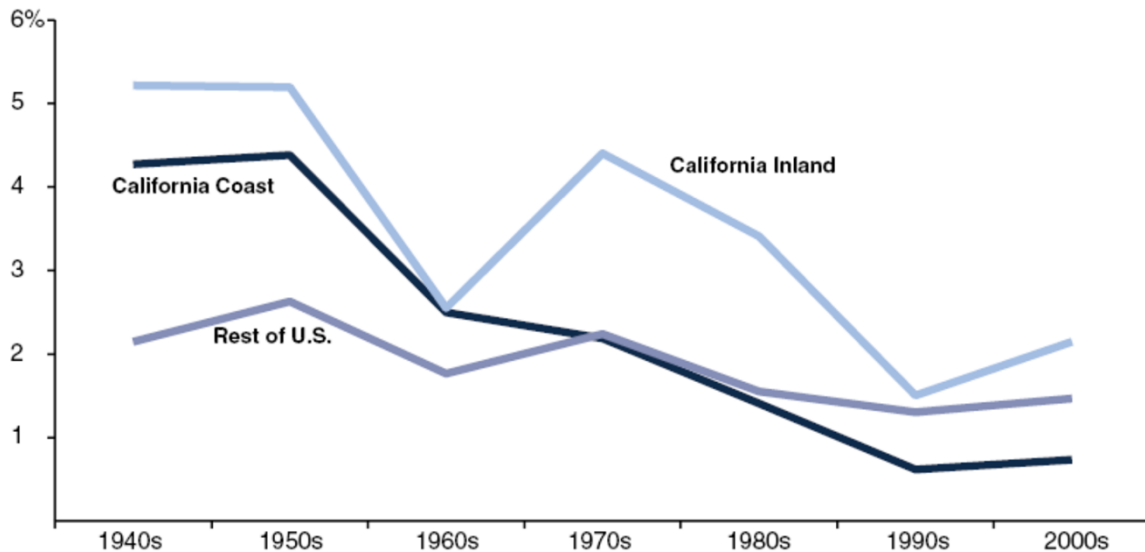


Figure 3: "California's High Housing Costs, Causes and Consequences," Legislative Analyst's Office, 2015.

Due to high costs, Californians pay a larger percentage of their income on housing and the Bay Area has become the most expensive metro region in the United States.<sup>15</sup> Consequently, overcrowding is often a result of insufficient housing supply and a larger share of new below market rate (BMR) subsidized affordable homes are needed because fewer residents are able to afford exorbitant housing costs.

Unfortunately, affordable housing is expensive to create—one unit of new BMR affordable housing costs upwards of \$660,000 to build in the Bay Area and is just as

<sup>11</sup> 2015-2023 Berkeley Housing Element. (2014). *City of Berkeley*.

[https://www.cityofberkeley.info/uploadedFiles/Planning\\_and\\_Development/Level\\_3\\_-\\_Commissions/Commission\\_for\\_Planning/2015-2023%20Berkeley%20Housing%20Element\\_FINAL.pdf](https://www.cityofberkeley.info/uploadedFiles/Planning_and_Development/Level_3_-_Commissions/Commission_for_Planning/2015-2023%20Berkeley%20Housing%20Element_FINAL.pdf)

<sup>12</sup> California's High Housing Costs, Causes and Consequences. (2015). *Legislative Analyst's Office*. <https://lao.ca.gov/reports/2015/finance/housing-costs/housing-costs.aspx>, p.12.

<sup>13</sup> Home Values (2021) *Zillow*. <https://www.zillow.com/home-values/>

<sup>14</sup> Income and Poverty in the United States: 2019. (2020). *U.S. Census Bureau*. <https://www.census.gov/library/publications/2020/demo/p60-270.html>

<sup>15</sup> Family Budget Calculator (2018) *Economic Policy Institute*. <https://www.epi.org/resources/budget/>

difficult for individuals to access.<sup>16</sup> Waitlists for subsidized affordable housing are notoriously long and the likelihood of acquiring an affordable unit is small.<sup>17</sup> In order to fund the construction of those subsidized affordable units, cities require a certain percentage to be built in new projects or in-lieu affordable housing fees which can be leveraged for additional funding to create 100% non-profit affordable housing. Since funding Berkeley's share of very low- and low-income housing would amount to 2.5 billion dollars,<sup>18</sup> jurisdictions are compelled to "zone at higher densities to accommodate their allocations of low- and very-low income units."<sup>19</sup> Furthermore, due to Berkeley's relatively higher cost of living, its regionally assigned housing needs allocation include a greater share of very low-income and low-income unit allocations.

In "Closing California's Housing Gap," the McKinsey Global Institute offered specific remedies to address housing insecurity facing residents of the state. Specifically, the authors recommend addressing housing scarcity by identifying hot spots for housing creation. The top three potential housing "hot spots" are housing ½ mile around transit hubs, underutilized urban lots, and adding additional units to single family homes.<sup>20</sup>

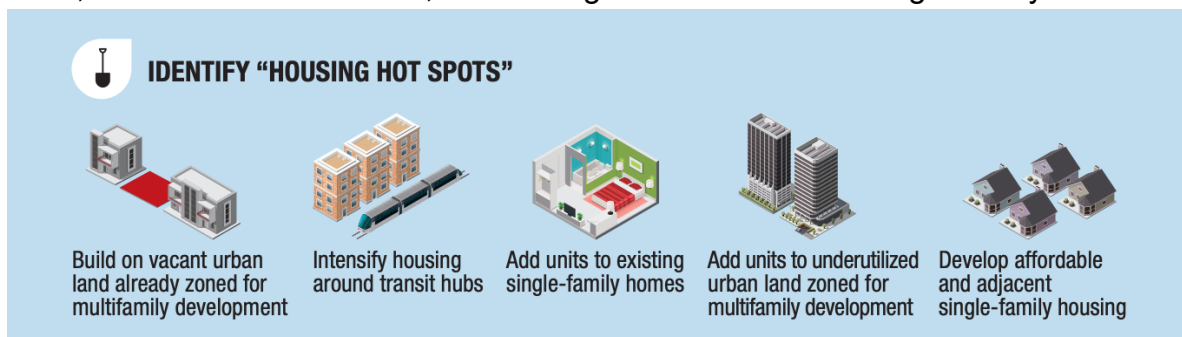


Figure 4: McKinsey Global Institute, 2016

<sup>16</sup> How Much Does it Cost to Construct One Unit of Below Market Housing in the Bay Area. (2019). *Bay Area Council Economic Group*. <http://www.bayareaeconomy.org/how-much-does-it-cost-to-produce-one-unit-of-below-market-housing-in-the-bay-area/#:~:text=In%202019%2C%20the%20average%20construction,of%20below%20market%20rate%20housing>.

<sup>17</sup> For example, in San Francisco, 6,580 people applied for 95 affordable apartments while in Berkeley, 700 applied for 42 affordable units. <https://www.nytimes.com/2018/05/12/upshot/these-95-apartments-promised-affordable-rent-in-san-francisco-then-6580-people-applied.html> and <https://www.berkeleyside.com/2018/01/18/berkeley-low-income-seniors-get-fresh-start-harper-crossing>

<sup>18</sup> 3,854 units x \$660,000

<sup>19</sup> Regional Housing Needs Allocations Draft Methodology: San Francisco Bay Area 2023-2031. (2021). *Association of Bay Area Governments*. [https://abag.ca.gov/sites/default/files/documents/2021-02/ABAG\\_Draft\\_RHNA\\_Methodology\\_Report\\_2023-2031.pdf](https://abag.ca.gov/sites/default/files/documents/2021-02/ABAG_Draft_RHNA_Methodology_Report_2023-2031.pdf)

<sup>20</sup> Woetzel, J., Mischke, J., Peloquin, S., and Weisfield, D. (2016, October). A Toolkit to Close California's Housing Gap: 3.5 Million Homes by 2025. *McKinsey Global Institute*. <https://www.mckinsey.com/~media/McKinsey/Industries/Public%20and%20Social%20Sector/Our%20Insights/Closing%20Californias%20housing%20gap/Closing-Californias-housing-gap-Full-report.pdf>

**Objective 2: Promoting Infill Development and Socioeconomic Equity**

There is a growing demand for infill housing. *Plan Bay Area 2050* identifies Priority Development Areas (PDAs) as places with convenient public transit services and jobs which should accommodate more homes. Cities with PDAs have access to funding and plans and infrastructure improvements focused in those areas. According to a recent City of Berkeley report, the Metropolitan Transportation Commission has invested more than \$630 million in PDA projects that advance community goals, including new sidewalks and bike lanes, improved transit access, and development of housing, including affordable units.”<sup>21</sup> In addition, many competitive state transportation and housing funding programs now prioritize projects in places that implement regional plans such as PDAs.

ABAG’s draft methodology also promotes socioeconomic equity by increasing the types of housing options available in the Bay Area metropolitan region with special significance placed on creating homes affordable to lower-income residents in cities “with high resource areas to promote socioeconomic mobility.”<sup>22</sup>

Significant portions of the Bay Area are rent-burdened and Berkeley is no exception. The definition of rent-burdened means that a household pays over 30% for rent. Households are considered severely rent-burdened if they pay over 50% for rent. The Urban Displacement Project tracked the rising rent burdens by households in Alameda County and found that a majority of extremely low income households are severely rent-burdened while over 75% of low-income and extremely low income households are rent-burdened. Almost half of low-income households are rent-burdened while a significant portion of moderate-income households are rent-burdened as well.<sup>23</sup>

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<sup>21</sup> Priority Development Area Nomination (2019). *City of Berkeley*. [https://www.cityofberkeley.info/Clerk/City\\_Council/2019/11\\_Nov/Documents/2019-11-19\\_Item\\_06\\_Priority\\_Development\\_Area\\_Nomination.aspx](https://www.cityofberkeley.info/Clerk/City_Council/2019/11_Nov/Documents/2019-11-19_Item_06_Priority_Development_Area_Nomination.aspx)

<sup>22</sup> Regional Housing Needs Allocations Draft Methodology: San Francisco Bay Area 2023-2031. (2021). *Association of Bay Area Governments*. [https://abag.ca.gov/sites/default/files/documents/2021-02/ABAG\\_Draft\\_RHNA\\_Methodology\\_Report\\_2023-2031.pdf](https://abag.ca.gov/sites/default/files/documents/2021-02/ABAG_Draft_RHNA_Methodology_Report_2023-2031.pdf)

<sup>23</sup> Rising Housing Costs and Resegregation in Alameda County (2018). *Urban Displacement Project*. [https://www.urbandisplacement.org/sites/default/files/images/alamedafinal9\\_18.pdf](https://www.urbandisplacement.org/sites/default/files/images/alamedafinal9_18.pdf)

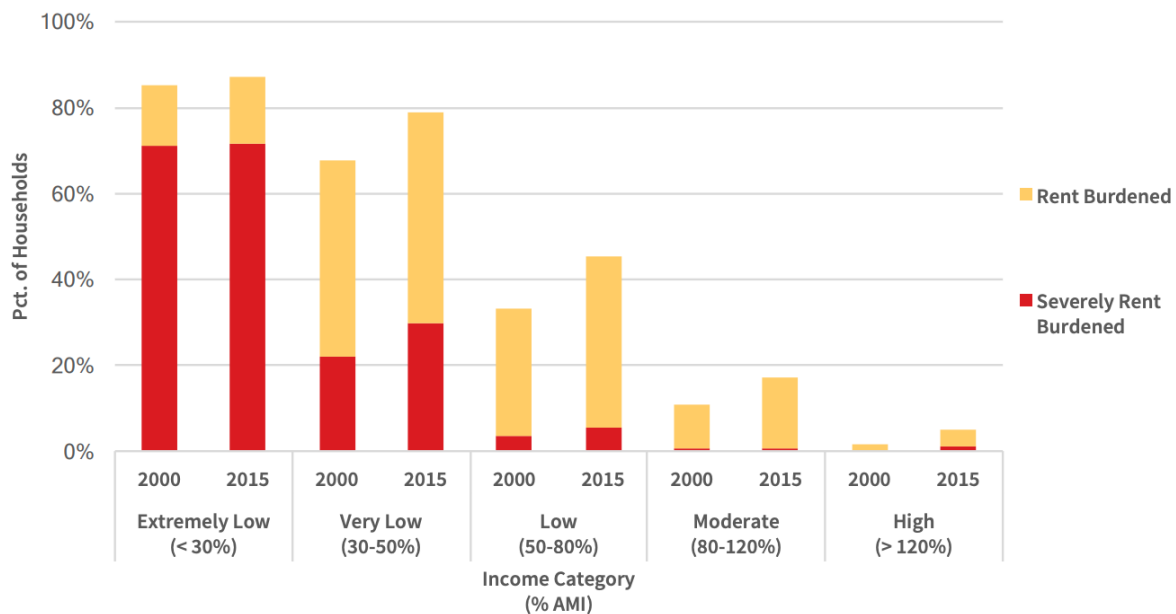
**Figure 3.** Rising Rent Burdens by Household Income Category (2000-2015)

Figure 5: UC Berkeley's Urban Displacement Project, 2018

While the impact of high housing costs is clearly a racial and socioeconomic issue, the generational divide is apparent as well. Nearly half of households aged 18-34 are rent-burdened.<sup>24</sup> The scarcity of affordable housing near jobs and mounting student debt has led to the net worth for young households that is 20 percent lower than it was for baby boomers in 1989 and 40 percent lower than for Generation X families in 2001.<sup>25</sup> Homeownership is also increasingly out of reach for younger generations, as millennials are 8% less likely to own homes than baby boomers and Gen Xers. The Urban Institute conducted a comprehensive study of the barriers to millennial home ownership and provided a series of policy recommendations—changing land use and zoning restrictions, particularly in areas with inelastic housing supply, was one of the chief recommendations.<sup>26</sup>

<sup>24</sup> Choi, J., Zhu, J., Goodman, L., Ganesh, B., and Stochak, S. (July 2018). Millennial Homeownership. *The Urban Institute*.

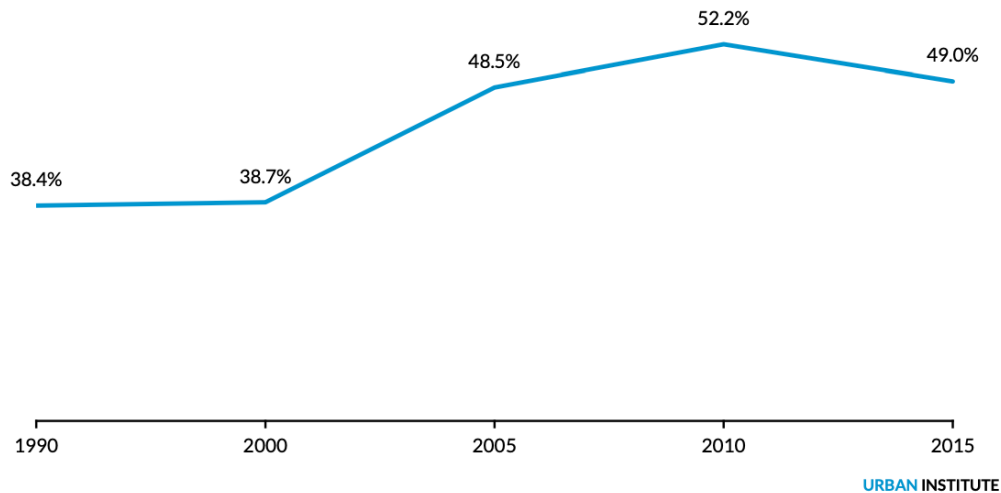
[https://www.urban.org/sites/default/files/publication/98729/millennial\\_homeownership.pdf](https://www.urban.org/sites/default/files/publication/98729/millennial_homeownership.pdf)

<sup>25</sup> Grabar, Henry. (2019). I Got Mine. *Slate Magazine*. <https://slate.com/business/2019/05/california-housing-crisis-boomer-gerontocracy.html>

<sup>26</sup> Choi, J., Zhu, J., Goodman, L., Ganesh, B., and Stochak, S. (July 2018). Millennial Homeownership. *The Urban Institute*.

[https://www.urban.org/sites/default/files/publication/98729/millennial\\_homeownership.pdf](https://www.urban.org/sites/default/files/publication/98729/millennial_homeownership.pdf)

Share of Rent-Burdened Households with Heads Ages 18 to 34



Sources: The Decennial Census and the American Community Survey.

Figure 6: Urban Institute, 2018

### **Objective 3: Promoting Intra-Regional Jobs-Housing Relationship**

This metric seeks to address the jobs-housing imbalance and increase the availability of low-income housing in communities where low-wage workers are employed. From 2010-2015, the San Francisco-East Bay Area created one home per 6.8 new jobs, leading to a significant jobs housing balance, which was the nation's worst jobs-housing permit imbalance.<sup>27</sup> Due to the scarcity of affordable housing near jobs, workers are often forced to commute long distances to find cheaper housing further away from job opportunity centers. These super-commuters, those who travel more than 90 minutes to jobs, may even be underestimated in the Bay Area's Regional Housing Needs Allocation allocations.<sup>28</sup>

Additionally, the Sustainable Communities and Climate Protection Act of 2008 (SB375) directed regions to institute strategies to reduce greenhouse gas emissions by proactively addressing jobs-to-housing imbalances. Aligning land use and transportation by encouraging transit-oriented development can reduce Vehicle Miles Travelled (VMT). SB375 was a direct result of Assembly Bill 32, the Global Warming Solutions Act of 2006 which required ambitious targets for greenhouse gas reductions.

<sup>27</sup> Salviati, C. (2017). Housing Shortage: Where Is the Undersupply of New Construction the Worst? *Apartment List*. <https://www.apartmentlist.com/research/housing-shortage-undersupply-of-new-construction>

<sup>28</sup> Elmendorf, C., Elkind, E. and Lens, M. (2021). Regional Housing Need in California: San Francisco Bay Area. *UCLA Lewis Center for Regional Policy Studies*, <https://www.lewis.ucla.edu/research/regional-housing-need-san-francisco-bay-area/>

#### **Objective 4: Balance Disproportionate Household Income Distributions**

This ABAG objective seeks to equalize and integrate the Bay Area with respect to income distributions in particular cities. According to the McKinsey Global Institute, virtually all extremely low-, very low- and low-income households cannot afford homes in California while approximately half of moderate income earners are unable to afford housing.<sup>29</sup>

Figure 7:

**Nearly 100 percent of low-income Californians cannot afford the local cost of housing; more than half of those with moderate incomes are squeezed**

Income level	Definition % of AMI	Total California households Million	Share of California households %	% unable to afford housing <sup>1</sup>	% extremely unable to afford housing <sup>2</sup>
Above moderate	>120	6.1	49	5	0
Moderate	80–120	1.7	13	53	0
Low	50–80	1.8	14	96	40
Very low	30–50	1.6	13	100	97
Extremely low	<30	1.4	11	100	100

<sup>1</sup> >30% of income required to cover local cost of housing.

<sup>2</sup> >50% of income required to cover local cost of housing.

SOURCE: US Census Bureau; Zillow; McKinsey Global Institute analysis

In ABAG’s methodology, areas with high median home values in high opportunity areas were assigned a higher number of low-income affordable units while cities with higher poverty rates were assigned more moderate and higher income allocations. One factor in determining “access to opportunity” is the state’s Tax Credit Allocation Committee (TCAC) 2020 Opportunity Map methodology.<sup>30</sup>

<sup>29</sup> Using HUD’s definition of >30% of income to cover housing costs.

<sup>30</sup> Regional Housing Needs Allocations Draft Methodology: San Francisco Bay Area 2023-2031. (2021). Association of Bay Area Governments. [https://abag.ca.gov/sites/default/files/documents/2021-02/ABAG\\_Draft\\_RHNA\\_Methodology\\_Report\\_2023-2031.pdf](https://abag.ca.gov/sites/default/files/documents/2021-02/ABAG_Draft_RHNA_Methodology_Report_2023-2031.pdf)



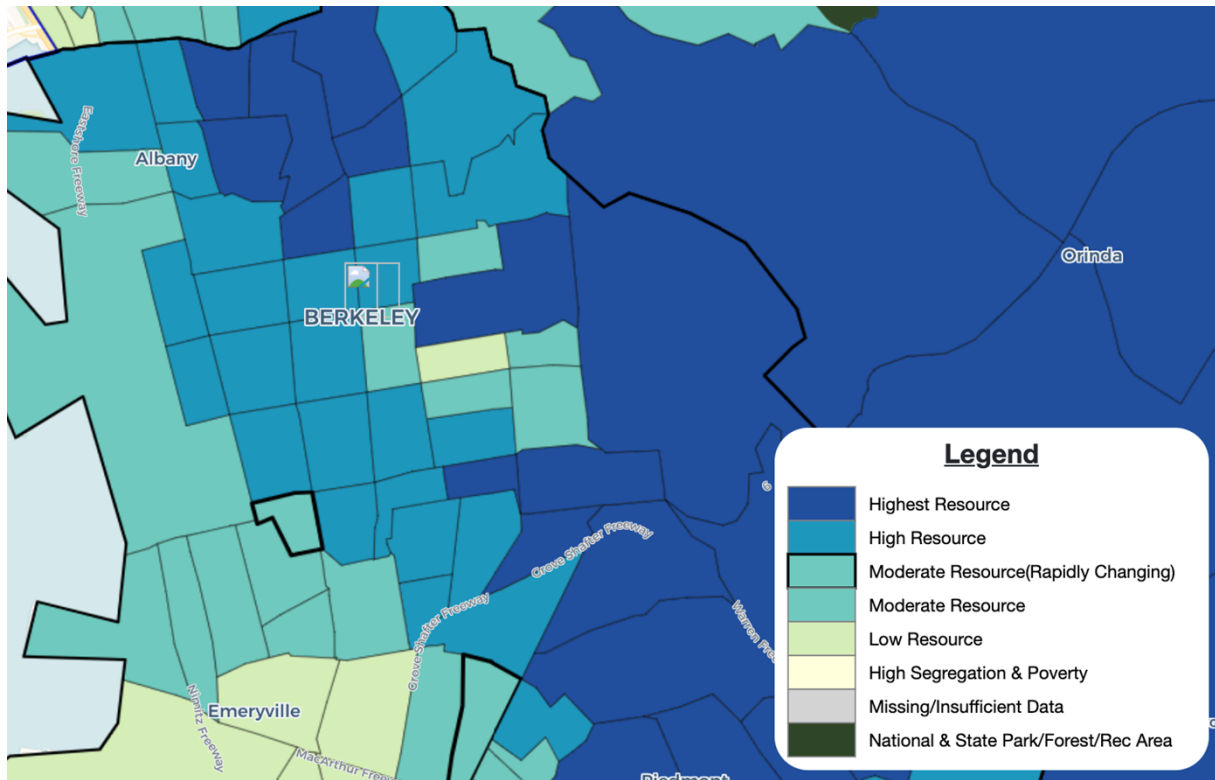


Figure 8: 2021 TCAC/HCD Opportunity Map

Furthermore, moderate income earners are often unable to access Below Market Rate (BMR) in addition to being unable to afford market rate units. As a result, this barbell-shaped delivery does not help address the need of middle income earners.

Naturally affordable housing options, like missing middle housing and accessory dwelling units often provide an avenue for lower-cost living. A Turner Center analysis of Accessory Dwelling Units (ADUs) found that 58% percent of owners rented their ADUs at below-market rates.<sup>31</sup> Since missing middle homes often are smaller housing types or offer economies of scale, they are frequently less expensive to owners and renters than single-family homes.

### **Objective 5: Affirmatively Further Fair Housing**

This objective seeks to overcome patterns of segregation and foster inclusive communities.

*Affirmatively furthering fair housing, which means taking meaningful actions, in addition to combating discrimination, that overcome patterns of segregation and foster inclusive communities free from barriers that restrict access to opportunity based on protected characteristics.*

<sup>31</sup> Garcia, D. (2017). ADU Update: Early Lessons and Impacts of California's State and Local Policy Changes. *Turner Center for Housing Innovation*. [https://turnercenter.berkeley.edu/wp-content/uploads/pdfs/ADU\\_Update\\_Brief\\_December\\_2017\\_.pdf](https://turnercenter.berkeley.edu/wp-content/uploads/pdfs/ADU_Update_Brief_December_2017_.pdf)

*Specifically, affirmatively furthering fair housing means taking meaningful actions that, taken together, address significant disparities in housing needs and in access to opportunity, replacing segregated living patterns with truly integrated and balanced living patterns, transforming racially and ethnically concentrated areas of poverty into areas of opportunity, and fostering and maintaining compliance with civil rights and fair housing laws.<sup>32</sup>*

Additionally, California cities have to proactively address and engage constituents on housing inequality and discrimination and embed these revisions into their General Plans after the passage of Assembly Bill 686 (Santiago).<sup>33</sup> Berkeley City Council unanimously passed a resolution on [February 23, 2021](#) that acknowledged the role exclusionary zoning plays in our current land use patterns and pledged to eliminate it and allow multi-unit housing in Berkeley by 2022.<sup>34</sup>

In 1916, Berkeley pioneered single family zoning, which was “primarily designed to protect the developers and owners of large and expensive homes on the east side of the city, and the developers and owners of factories and railroad property on the west side.”<sup>35</sup> By petitioning for single family zoning, neighborhoods were able to formally prevent unwanted businesses, often operated by people of color, from locating nearby.

In the late 1930s, the federal government developed Home Owners’ Loan Corporation (HOLC) maps to guide and direct households’ access to credit in neighborhoods throughout the United States. By failing to guarantee mortgages and loans in neighborhoods deemed detrimental because they were home to communities of color, those neighborhoods suffered from disinvestment that has had lasting impact.<sup>36</sup> In a report titled “Housing Costs and Re-Segregation in Alameda County,” UC Berkeley’s Urban Displacement Project summarizes this connection: “Disinvestment in these

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<sup>32</sup> Regional Housing Needs Allocations Draft Methodology: San Francisco Bay Area 2023-2031. (2021). Association of Bay Area Governments. [https://abag.ca.gov/sites/default/files/documents/2021-02/ABAG\\_Draft\\_RHNA\\_Methodology\\_Report\\_2023-2031.pdf](https://abag.ca.gov/sites/default/files/documents/2021-02/ABAG_Draft_RHNA_Methodology_Report_2023-2031.pdf)

<sup>33</sup> Santiago, M. (2018). Assembly Bill 686. *California Legislative Information*. [https://leginfo.ca.gov/faces/billTextClient.xhtml?bill\\_id=201720180AB686](https://leginfo.ca.gov/faces/billTextClient.xhtml?bill_id=201720180AB686)

<sup>34</sup> Droste, L., Taplin, T., Robinson, R. and Bartlett, B (2021) Resolution to End Exclusionary Zoning in Berkeley. *Berkeley City Council*. [https://d3n8a8pro7vhm.cloudfront.net/berkeleydistrict8/pages/77/attachments/original/1616017869/Droste\\_Resolution\\_to\\_Eliminate\\_Single\\_Family\\_Zoning\\_Final.pdf?1616017869](https://d3n8a8pro7vhm.cloudfront.net/berkeleydistrict8/pages/77/attachments/original/1616017869/Droste_Resolution_to_Eliminate_Single_Family_Zoning_Final.pdf?1616017869)

<sup>35</sup> Weiss, Marc A. (1986). Urban Land Developers and the Origins of Zoning Laws: The Case of Berkeley *Berkeley Planning Journal* 3 (1). <https://escholarship.org/content/qt26b8d8zh/qt26b8d8zh.pdf?t=pog62p&v=lq>

<sup>36</sup> Has Oakland’s Fruitvale Neighborhood Ever Recovered from ‘Redlining? (February 2018). *KQED News - The California Report*, <https://www.kqed.org/news/11648307/has-oaklands-fruitvale-neighborhood-recovered-from-redlining>

neighborhoods during the 20th century paved the way for today’s processes of gentrification and displacement.”

The report elaborates on this further, noting that between 2000 and 2015, as housing prices rose, Berkeley lost thousands of low-income Black households and Berkeley saw increases of well over 30% in median rent paid (inflation-adjusted dollars).<sup>37</sup> An [analysis](#) of demographic changes over time comparing Berkeley’s Adeline Corridor (noted as the “study area” in the chart below), the City of Berkeley as a whole, and Alameda County, further portrays the continual loss of racial diversity:<sup>38</sup>

*Race and Ethnicity, 1990-2013*

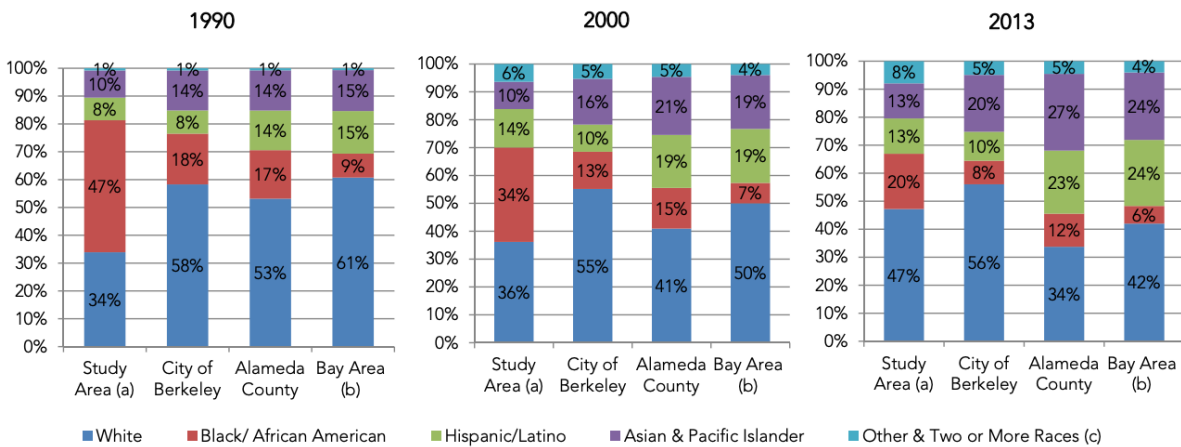


Figure 9, City of Berkeley, 2015

In a 2020 report on racial and income segregation throughout the Bay Area, UC Berkeley’s Othring and Belonging Institute summarizes that “the prevalence and over-abundance of this type of restrictive zoning is a direct impediment to the development of affordable housing and certain types of housing, including dense, multi-family housing, that make integration feasible and segregation more difficult to sustain. Without addressing this problem, an integration agenda is out of reach.”<sup>39</sup> While Berkeley is less exclusionary than other neighboring jurisdictions, Stephen Menendian, the study’s lead researcher and fair housing policy expert, has stated that “while zoning reform is not a silver bullet to remedying racial and economic exclusion, it is a necessary precondition

<sup>37</sup> Rising Housing Costs and Resegregation in Alameda County. (2018). *Urban Displacement Project*, [https://www.urbandisplacement.org/sites/default/files/images/alameda\\_final.pdf](https://www.urbandisplacement.org/sites/default/files/images/alameda_final.pdf)

<sup>38</sup> Adeline Corridor Specific Plan - Existing Conditions Report. (2015). *City of Berkeley*. [https://www.cityofberkeley.info/uploadedFiles/Planning\\_and\\_Development/Level\\_3\\_-\\_Land\\_Use\\_Division/3\\_DemogEcon.pdf](https://www.cityofberkeley.info/uploadedFiles/Planning_and_Development/Level_3_-_Land_Use_Division/3_DemogEcon.pdf)

<sup>39</sup> Menendian, S. et al. (2020). Racial Segregation in the San Francisco Bay Area, Part 5. *UC Berkeley Othring and Belonging Institute*. <https://belonging.berkeley.edu/racial-segregation-san-francisco-bay-area-part-5>

to address housing segregation, lack of affordable housing, new housing production, homelessness and housing precarity, climate, displacement and gentrification.”<sup>40</sup>

**FISCAL IMPACTS**

Refer \$500,000 to the budget process to assist in zoning revisions and ensure the City of Berkeley has a compliant Housing Element. Staff is encouraged to seek regional, state and federal grants to support this work.

**ENVIRONMENTAL SUSTAINABILITY**

Increasing the availability of homes is a core environmental issue and is part of the City of Berkeley’s Climate Action Plan. Climate researchers at University of California created a local government climate policy tool to measure policies based upon how well they reduce carbon footprints. In their analysis of 700 cities, these researchers determined that infill housing has the biggest impact.<sup>41</sup>

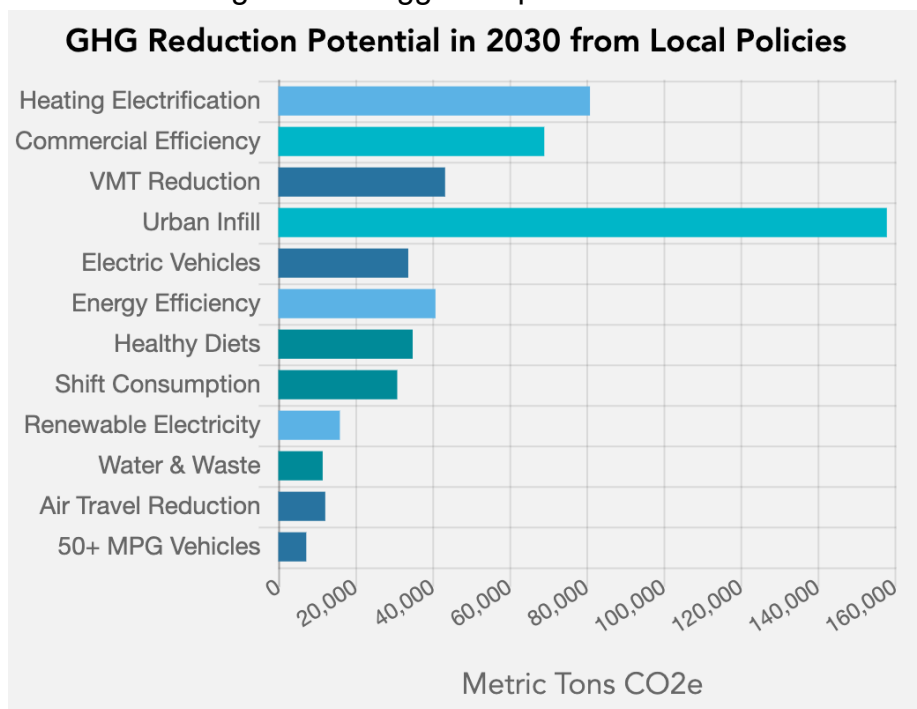


Figure 10: Cool Climate Network, 2018

The Environmental Protection Agency promotes the investment in infill housing near jobs and transit in order to reduce urban sprawl, greenhouse gas emissions, and traffic.<sup>42</sup> Currently, 59% of Berkeley’s greenhouse gas emissions come from

<sup>40</sup> Correspondence with Stephen Menendian, February 22, 2021.

<sup>41</sup> Jones, C, Wheeler, S, and Kammen, D. (2018) California Local Government Climate Policy Tool. *Cool Climate Network*. <https://coolclimate.berkeley.edu/ca-scenarios/index.html>

<sup>42</sup> Smart Growth and Economic Success: Investing in Infill Development. (2014). *Environmental Protection Agency, Office of Sustainable Communities*. <https://www.epa.gov/sites/production/files/2014-06/documents/developer-infill-paper-508b.pdf>

transportation. In order to protect environmental and agricultural resources, development patterns should be in high opportunity areas to reduce commute times. Accordingly, the Association of Bay Area Governments focus the centering homes in high opportunity areas with low vehicle miles travelled (VMT). Berkeley’s Climate Action Plan cites the need for density along transit corridors and adaptive reuse of historic buildings when feasible in order to meet our climate goals.<sup>43</sup>

## 2018 Greenhouse Gas Emissions Inventory

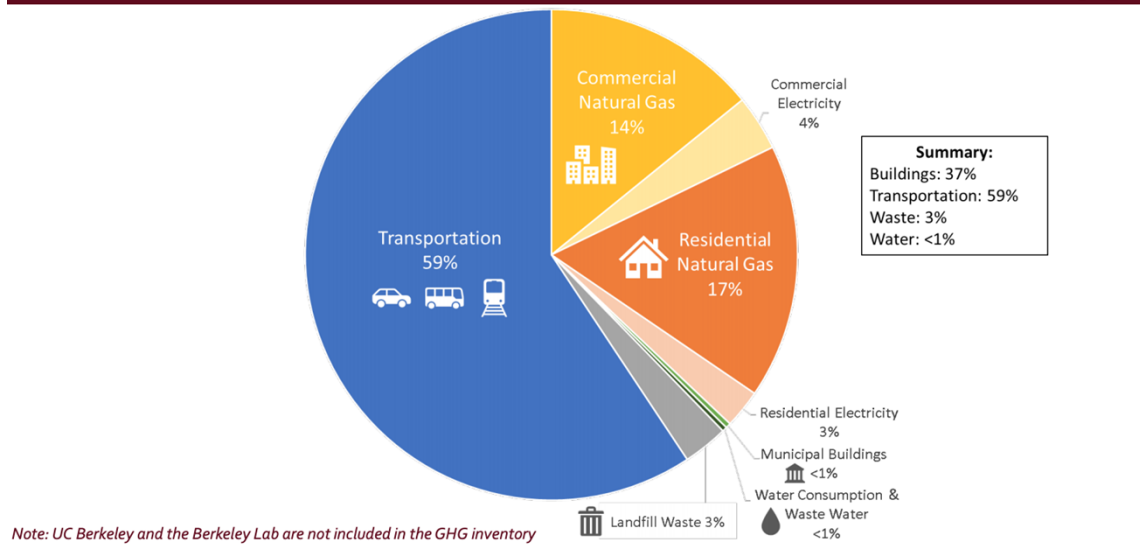


Figure 11: Climate Action Plan Update, 2020

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<sup>43</sup> Climate Action Plan. (2009). *City of Berkeley*.  
[https://www.cityofberkeley.info/uploadedFiles/Planning\\_and\\_Development/Level\\_3\\_-\\_Energy\\_and\\_Sustainable\\_Development/Berkeley%20Climate%20Action%20Plan.pdf](https://www.cityofberkeley.info/uploadedFiles/Planning_and_Development/Level_3_-_Energy_and_Sustainable_Development/Berkeley%20Climate%20Action%20Plan.pdf)

