

July 14, 2022

Dear Director Klein and Planning Staff:

Thank you for preparing the City of Berkeley's Sixth Cycle Housing Element Draft for review. I am writing to share my comments on the draft report, focusing specifically on Affirmatively Furthering Fair Housing and the Sites Inventory.

BACKGROUND ON HOUSING ELEMENT

Housing Element Required by California State Law. The housing element is a required housing plan that jurisdictions in California must submit to the state every eight years. The housing plan must show how each jurisdiction intends to plan for its share of the Regional Housing Needs Allocation (RHNA). For the Bay Area, the Association of Bay Area Governments (ABAG) has determined that the City of Berkeley needs to plan for a total of 8,934 new housing units for its Sixth Cycle Housing Element covering the eight-year period from 2023 to 2031. The number of housing units required in the sixth cycle represents a threefold increase from the amount required for the Fifth Cycle Housing Element (2015-2023), as shown in Exhibit 1.

A compliant housing element must detail the following: (1) where housing could realistically be built for the four income strata (very low, low, moderate, and above-moderate income) across the city; and (2) how such a plan "affirmatively furthers fair housing" over the next eight years. Berkeley must submit a compliant Housing Element to the California Department of Housing and Community Development (HCD) by January 31, 2023 or risk being ineligible for state grant funding.

Exhibit 1: Berkeley's Share of Regional Housing Needs Allocation (RHNA) for Sixth Housing Element (2023-2031) Increased Threefold to A Total of 8,934 Residential Units

Income Level	2015-2023 RHNA Units Fifth Housing Element	2023-2031 RHNA Units Sixth Housing Element	% Increase
Very Low (<50% AMI)	532	2,446	460%
Low (50-80% AMI)	442	1,408	319%
Moderate (80-120% AMI)	584	1,416	242%
Above Moderate (>120% AMI)	1,401	3,664	262%
Total	2,959	8,934	202%

AMI = area median income as determined by the U.S. Department of Housing and Urban Development (HUD); available here: https://www.acgov.org/cda/hcd/documents/2022IncomeandRentLimits.pdf Source: Housing Element Update, https://berkeleyca.gov/construction-development/land-use-development/general-plan-and-area-plans/housing-element-update

Significant Sources of State Grant Funding at Risk If City's Housing Element Does Not Comply with State Law. The city is at risk of being unable to access state grant funding for transportation, infrastructure, and housing, including the Infill Infrastructure Grant Program (IIG). We note that competing for the IIG grant is critical to the financing strategy for infrastructure improvements needed for the planned Ashby and N. Berkeley BART station developments.

If Berkeley is found by HCD to have a non-compliant Housing Element, then the ability to receive the following state funding sources would be at risk.¹

State funding programs that require a compliant Housing Element:

- Community Development Block Grant Program
- Infill Infrastructure Grant Program
- Local Housing Trust Fund Program
- Affordable Housing and Sustainable Communities Program
- Permanent Local Housing Allocation Program
- Caltrans Sustainable Communities Grant Program

State funding programs that allocate extra points on the application for a compliant Housing Element:

- Local Partnership Program
- Transit and Intercity Rail Capital Program
- Active Transportation Program
- Solutions for Congested Corridors Program
- HOME Investment Partnerships Program

State Housing and Community Development (HCD) Department Has Found 93 Percent of Southern California Cities to Have Non-Compliant Housing Elements. HCD has already determined that most Southern California cities have submitted a housing element that does not comply with state requirements, either because the plan does not affirmatively further fair housing or because the inventory of housing sites is unrealistic. Of the 197 jurisdictions in the Southern California Association of Governments (SCAG), only 13 have been deemed compliant by HCD, as of May 2022.² HCD specifically commented that many of the housing elements it reviewed were not compliant because:

 The sites included in the Sites Inventory Map were not demonstrated to have a reasonable chance of being developed; and

¹ California Department of Housing and Community Development, Housing Elements, "Background: Why It Matters," https://www.hcd.ca.gov/housing-elements-hcd

² Collins, Jeff, "Southern California housing plans contain 'fake sites,' lack analysis, critics say", Orange County Register, https://www.ocregister.com/2022/05/08/southern-california-housing-plans-contain-fake-sites-lack-analysis-critics-say/

• The description of how the city would implement Affirmatively Furthering Fair Housing (AFFH), a Housing Element requirement, was not up to standard.³

BACKGROUND ON AFFIRMATIVELY FURTHERING FAIR HOUSING

Affirmatively Furthering Fair Housing Is a Major Requirement of the Housing Element. A new requirement for housing elements this cycle is Assembly Bill 686 (2018), a state law that mandates jurisdictions affirmatively further fair housing in their housing element so that racially segregated living patterns are replaced by integrated living patterns. The concept of affirmatively furthering fair housing first originated in the federal Fair Housing Act of 1968 and remains an unrealized goal in most communities nationwide, including in Berkeley due to exclusionary zoning practices that date back to 1916.

Single-family zoning 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, according to a Berkeley Planning Journal article.⁴ In the late 1930s, the federal government developed Home Owners' Loan Corporation (HOLC) "Residential Security" maps to rate mortgage-lending risk, creating so-called "yellow-lined" and "red-lined" areas in which communities of color were deemed higher risk for lending and suffered from disinvestment. The result of exclusionary zoning and federal redlining practices was that almost all Asian and Black Berkeleyans lived south of Dwight Way and west of Grove Street (now Martin Luther King Jr. Way).⁵ These racial and economic divides persist today, such as through higher levels of air pollution found in formerly red- and yellow-lined neighborhoods.⁶ One test of whether our housing element is successful in affirmatively furthering fair housing is to plan for more housing in areas of the city that were not subject to the disinvestment associated with redlining—to affirmatively rezone areas of the city that are east of Martin Luther King Jr. Way and north of Dwight Way.

To comply with AFFH requirements, HCD suggests jurisdictions do the following: "Ensure that sites zoned to accommodate housing for lower-income households are not concentrated in lower resource areas and segregated concentrated areas of poverty, but rather dispersed throughout the community, including in areas with access to greater resources, amenities, and opportunity."

³ Stephens, Josh, "Cities Struggle to Comply with Tougher Housing Element Rules", 14 February 2022, California Planning & Development Report, <u>3999 (townofcortemadera.org)</u>

⁴ 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/gt26b8d8zh/gt26b8d8zh.pdf?t=pog62p&v=lg

⁵ Barber, Jesse, "Redlining: The History of Berkeley's segregated neighborhoods," Berkeleyside, https://www.berkeleyside.org/2018/09/20/redlining-the-history-of-berkeleys-segregated-neighborhoods, Sept. 20, 2018

⁶ Zhong, Raymond and Nadja Popovich, "How Air Pollution Across America Reflects Racist Policy From the 1930s, 9 March 2022, https://www.nytimes.com/2022/03/09/climate/redlining-racism-air-pollution.html?searchResultPosition%3D2&sa=D&source=docs&ust=1657839822025490&usg=AOvVaw2HW7XC0dblDL0XL0QPzZHy

⁷ California Department of Housing and Community Development, "Inventory of Suitable Land", https://www.hcd.ca.gov/inventory-of-suitable-land

In sum, sites identified to accommodate below-market-rate affordable units should not be concentrated in lower-resource areas of the city. Instead, they should be integrated into higher-

resource areas. To select sites for below-market-rate affordable housing, HCD recommends jurisdictions consider factors that are correlated with highresource areas:

- Proximity to transit;
- Access to high performing schools and jobs;
- Access to amenities, such as parks and services;
- Access to health care facilities and grocery stores;
- Locational scoring criteria for Lowincome Housing Tax Credit (TCAC) Program funding;
- Proximity to available infrastructure and utilities;
- Sites that do not require environmental mitigation;
- Presence of development streamlining processes, environmental exemptions; and
- Other development incentives.

"Affirmatively furthering fair housing 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. 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. The duty to affirmatively further fair housing extends to all of a public agency's activities and programs relating to housing and community development" (emphasis added). —California Government Code § 8899.50, subd. $(a)(1)^1$

Researchers Found Berkeley's Housing Patterns in Fifth Cycle Housing Element (2015-2023) Reinforced Historic Patterns of Racial Segregation and Disinvestment. Researchers at the UCLA Lewis Center for Regional Studies who study housing element law developed a tool known as the AFFH Sites Score to measure how well cities are doing in affirmatively furthering fair housing. The AFFH Sites Score is measured on a scale of -1 to 1, assessing whether a city is promoting affordable housing in high-income areas or if they are relegating affordable housing to low-income areas. A score of -1 indicates that all affordable housing sites are located in the lowest-income neighborhoods, a score of 0 represents the status quo (i.e., an equal distribution of affordable housing sites across the city), and a score of 1 indicates all affordable housing sites are located in the highest-income neighborhoods. It follows that a positive score (greater than 0) signifies that a community is successful in its efforts to locate

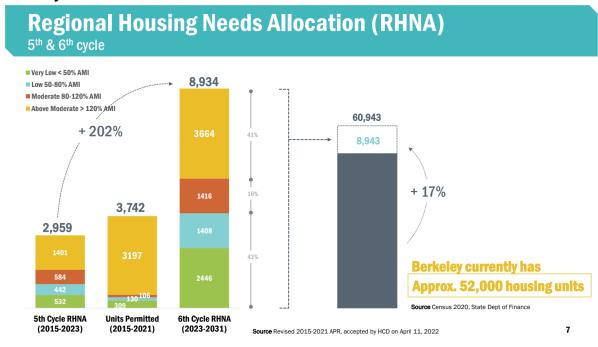
⁸ California Department of Housing and Community Development, Memorandum, 10 June 2020, https://www.hcd.ca.gov/community-development/housing-element/docs/sites inventory memo final06102020.pdf

⁹ Monkkonen et al, "Do cities' Housing Element sites Affirmatively Further Fair Housing? The AFFH Sites Score", University of California (Los Angeles, Berkeley, and Davis), https://www.lewis.ucla.edu/wp-content/uploads/sites/17/2021/05/AFFH-Sites-Score.pdf

more affordable housing in higher-income areas, and a negative score (less than 0) means that a community is failing in its efforts to site more affordable housing in higher-income areas. Berkeley's Fifth Cycle AFFH Sites Score is -0.55,¹⁰ indicating that our community has located more affordable housing in lower-income areas; that is, our housing patterns reinforce historic patterns of racial segregation and disinvestment. Our Sixth Cycle Housing Element presents an opportunity for our city to plan for more affordable housing in higher-income areas.

Berkeley Has Not Met Fifth Cycle Housing Element Targets for Below-Market-Rate Affordable Housing . . . Berkeley has made insufficient progress in meeting its Regional Housing Needs Allocation (RHNA) goals for the current fifth cycle (2015-2023) for below-market-rate affordable housing. Affordable housing is housing for those with income levels that are very low (<50% Area Median Income), low (50-80% AMI), and moderate (80-120% AMI). Through 2021, the city has fulfilled just 35 percent of its target for very low, low, and moderate income units, and more than 225 percent of its target for above-moderate income (i.e., market-rate) housing, as shown in Exhibit 2. Given that Berkeley has not met its RHNA goals for below-market-rate affordable housing for the fifth cycle and the sixth cycle is even more ambitious, it appears unlikely that Berkeley will achieve its sixth cycle RHNA goals without specific and purposeful rezoning policies.

Exhibit 2: Berkeley Has Not Met Below-Market-Rate Affordable Housing Targets In Fifth RHNA Cycle



Income Level	Fifth Cycle RHNA Goals	Sixth Cycle RHNA Goals
Very low <50% AMI	532 (309 permitted)	2,446
Low 50-80% AMI	442 (130 permitted)	1,408

¹⁰ Monkkonen, Paavo, Associate Professor of Urban Planning and Public Policy, UCLA, Panel, California Association of Realtors, 21 October 2021.

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Moderate 80-120% AMI	584 (106 permitted)	1,416
Above Moderate >120% AMI	1,401 (3,197 permitted)	3,664
TOTAL	2,959	8,934

Source: Planning Commission #3, "Housing Element Update: Preliminary Sites Inventory & Housing Programs", 04 May 2022, Slide 7. https://berkeleyca.gov/sites/default/files/documents/2022-05-04_HE_PC_SitesPoliciesPrograms_PPT.pdf

... Despite Investing Significant Resources Through Bond and Other Local Funds. In 2018, Berkeley voters approved the Measure O Affordable Housing Bond that provides \$135 million for funding below-market-rate affordable housing. According to a December 2019 staff report on affordable housing funding allocations, \$71.4 million in local funds (including Measure O bond proceeds) were used to fund the development of a total of 430 units of below-market-rate affordable housing, equating to an average local public subsidy of \$166,000 per unit. The full cost of developing a unit of below-market-rate affordable housing is about \$725,000, meaning that multiple additional funding sources are needed to supplement the local public subsidy of \$166,000 on average. These figures suggest that funding the creation of all of the below-market-rate affordable housing for the sixth RHNA cycle would cost roughly \$875 million in local public subsidy alone (\$166,000 x 5,270 below-market-rate units). It is therefore not a fiscally sustainable strategy to attempt to meet our sixth RHNA cycle below-market-rate targets without significant rezoning, which would unlock inclusionary units in otherwise market-rate developments and/or provide funds through the affordable housing mitigation fee to be reinvested in affordable housing projects.

City Council Unanimously Approved Zoning Concepts for Housing Element, Including Accommodating Growth on Transit and Commercial Corridors. On March 25, 2021, the City Council unanimously referred to the City Manager zoning concepts to be considered for the development of our Sixth Cycle Housing Element. One of the key zoning concepts cited in the referral is to prioritize growth along transit and commercial corridors. Transit and commercial corridors are defined as corridors with an existing rail station or bus stop with peak service frequency of 15 minutes or less, with the benefits of prioritizing transit corridors described as incentivizing people to utilize public transit and reduce vehicle miles traveled.

COMMENTS ON SIXTH CYCLE HOUSING ELEMENT DRAFT

Current Draft Housing Element Identifies Most Sites in Lower-Income Areas. Nearly two-thirds of the housing sites proposed in the sites inventory are located in West and Central Berkeley, including in formerly redlined and yellow-lined neighborhoods. In the highest-

¹¹ Bay Area Council Economic Institute, "How Much Does it Cost to Construct One Unit of Below Market Housing in the Bay Area?", ttp://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%20 housing

¹² "Initiation of Public Process and Zoning Concepts for 2023-2031 Housing Element Update", City Council Referral, 25 March 2021, Vice Mayor Droste, Mayor Jesse Arreguín, Councilmember Rashi Kesarwani and Councilmember Terry Taplin

resourced area of Northeast Berkeley-where single-family zoning was historically used to exclude racial minorities by banning lower-cost multi-unit housing types-just 2 percent of total housing capacity is located. This housing pattern directly violates the principle of affirmatively furthering fair housing and instead, reinforces historic housing patterns that are predicated on racial segregation. One of the primary opportunities to undo this harmful pattern is to rezone to allow for greater housing capacity along the transportation and commercial corridors of Northeast Berkeley, including Solano Avenue and Shattuck Avenue. The City of Berkeley's Opportunity Map¹³ also includes the Hillside Overlay Zone and the Elmwood District among the highest-resource areas. Wildfire risk should be taken into account when planning for housing in the residential Hillside Overlay Zone. The commercial corridor of College Avenue in the Elmwood District can and should be grouped with Solano Avenue and Shattuck Avenue as a highest-resourced commercial corridor that should be rezoned to accommodate greater housing capacity. As it stands, per Exhibit 3, very few likely and pipeline sites have been identified in these three highest-resourced commercial corridors. Rezoning these three corridors aligns with the zoning concepts referred to the City Manager in March 2021 and would achieve the goal of affirmatively furthering fair housing. It is not clear why the draft housing element has not proposed to change the zoning on commercial and transit corridors in the highest-resourced areas of the city in order to undo the harmful racist housing patterns of the past and allow the development of multi-unit housing in these areas. 14 Today, these corridors allow for a maximum zoned height of only two to three stories, while being among the highest-resourced areas of the City. Without a change in zoning, affordable housing will not be built in these historically white and exclusionary parts of Berkeley. Rezoning these three commercial corridors, in particular, for higher density housing—to enable affordable housing and larger multi-unit developments should be explicitly stated as a policy goal in our Sixth Cycle Housing Element.

Exhibit 3: Most Proposed Housing Sites are in West and Central Berkeley

Region of Berkeley	TCAC Opp Categories	Income Distribution		Total Capacity	Total Capacity %	
	J	Lower	Moderat e	Above Moderate	(Proposed RHNA units)	
Northeast Berkeley	High/Highest	101	35	190	326	2%
West Berkeley	Moderate/High	1,274	682	1,644	3,600	23%
Central Berkeley	Moderate/High	1,371	1,612	3,467	6,450	42%
South Berkeley	Moderate (Rapidly Changing)/High	270	318	860	1,448	9%
Southeast Berkeley	Low/Moderate/Hi gh/Highest	1,435	316	1,752	3,503	23%
TOTAL		4,451	2,963	7,913	15,327	100%

TCAC = Tax Credit Allocation Committee; RHNA = regional housing needs allocation.

¹³ 2022 TCAC/HCD Opportunity Map, https://belonging.berkeley.edu/2022-tcac-opportunity-map (see Appendix B)

¹⁴ City of Berkeley Housing Element - Public Draft, Sites Inventory Map, <u>City of Berkeley Housing</u> <u>Element Update - Public Draft | Raimi + Associates (konveio.com)</u> (see Appendix A)

Source: City of Berkeley, Draft Housing Element, Table E-1, <u>Appendix E AFFH</u>, pgs. 8-9 Note: Total RHNA units exceeds 8,934 because the sites inventory demonstrates Berkeley has the capacity for more units without rezoning, in addition to it being unlikely every site in the inventory is built.

Highest-Resource Areas Provide Greater Opportunities for Low-Income Families. Living in higher-resourced areas—as measured by education levels, employment levels, proximity to jobs and other amenities, median home value, and pollution—is linked to improved life outcomes for low-income families, particularly children. 15 Research shows that the neighborhood in which you grow up does not simply correlate with—but causes—improved educational and economic outcomes in adulthood. 16 Researchers found that the federal Housing and Urban Development Moving to Opportunity experiment in the 1990s created a boost in lifetime earnings of about \$302,000 (31 percent more) for children who moved to high-opportunity neighborhoods when compared to children who did not. The children who moved were also more likely to attend college. Girls raised in better neighborhoods were found to be more likely to grow up to marry and live in better neighborhoods as adults. This suggests lasting positive intergenerational effects: the grandchildren of the parents who moved to better neighborhoods are more likely to be raised by two parents, enjoy higher family incomes, and spend their entire childhood in better neighborhoods. A more recent 2019 Seattle Housing Authority experiment found a similar boost in lifetime earnings as a result of low-income families moving to high-opportunity neighborhoods.

Rezoning Highest-Resourced Commercial Corridors Can Help to Meet Targets for Below Market Rate Housing That Would Not Be Met Otherwise. Berkeley is currently significantly behind on its fifth cycle RHNA target for below-market-rate affordable housing. If trends continue, we will also fall behind on affordable housing units in the sixth cycle, as Berkeley's sixth cycle target is more than three times the fifth cycle target. To meet the sixth cycle RHNA goals, the likely and pipeline housing sites identified in the sites inventory must be built in addition to many of the opportunity housing sites listed (see Exhibit 4). It is unrealistic to presume that many of the opportunity sites will be developed, as many are in use as commercial spaces currently. Berkeley is likely to not meet its sixth cycle RHNA targets for below-market-rate affordable housing without zoning changes that serve a twofold purpose to (1) increase the likelihood of development and (2) increase the number of housing units that are created. If this occurs, zoning changes will, in turn, lead to more affordable housing units because developers are required to allocate 20 percent of units for affordable housing or pay an in-lieu fee (\$39,746 per unit if paid at issuance of certificate of occupancy or \$36,756 if paid at building permit issuance)—funding that goes towards affordable housing projects in the city. 17

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¹⁵ California Fair Housing Task Force, "Methodology for the 2022 TCAC/HCD Opportunity Map", December 2021, https://belonging.berkeley.edu/2022-tcac-opportunity-map, p. 6.

¹⁶ Wolfers, Justin, "Why the New Research on Mobility Matters: An Economist's View," *The New York Times*, https://www.nytimes.com/2015/05/05/upshot/why-the-new-research-on-mobility-matters-an-economists-view.html, May 4, 2015

¹⁷ City of Berkeley, Affordable Housing Requirements for Developers, https://berkeleyca.gov/construction-development/permits-design-parameters/design-parameters/affordable-housing

Exhibit 4: Meeting Berkeley's Below-Market-Rate Affordable Housing RHNA Target Means Opportunity Sites Must Be Developed, Which Appears Unlikely

Meeting the RHNA



To meet the 6th cycle RHNA goals, Berkeley must build (in housing units)			
	Lower (<80% AMI)	Moderate (80-120% AMI)	Above Moderate (>120% AMI)
Likely	1,250	249	3,186
Pipeline	384	68	478
Opportunity	2,220	1,099	0
TOTAL	3,854	1,416	3,664

AMI = area median income as determined by the U.S. Department of Housing and Urban Development (HUD); available here: https://www.acgov.org/cda/hcd/documents/2022IncomeandRentLimits.pdf
Note: A likely site is a project that has been entitled since 2018. A pipeline site includes a submitted application currently under review as well as anticipated project sites based on city staff input. An opportunity site includes vacant or underutilized sites with the potential for near-term development (including some sites used in the fifth cycle housing element but remain available for development). Source: Planning Commission #3, "Housing Element Update: Preliminary Sites Inventory & Housing Programs", 04 May 2022, Slide 13. https://berkeleyca.gov/sites/default/files/documents/2022-05-04_HE_PC_SitesPoliciesPrograms_PPT.pdf

Rezoning Highest-Resource Commercial Corridors Aligns with Affirmatively Furthering Fair Housing. To affirmatively further fair housing in line with AB 686, sites identified to accommodate below-market-rate affordable units should be placed in the higher-resourced areas of the city. Currently, the sites inventory identifies more housing sites in West and Central Berkeley, as opposed to the highest-resourced areas of the city.

¹⁸ City of Berkeley Housing Element - Public Draft, Sites Inventory Map, Appendix C Sites Inventory, https://raimi.konveio.com/city-berkeley-housing-element-update-public-draft

City Should Review Sites Inventory for Infeasible Sites. Berkeley's housing element draft sites inventory identifies many more opportunity sites as compared to likely and pipeline sites. A number of the identified opportunity sites are unrealistic, and while other letters and public comment may echo my thoughts or provide more comprehensive comments, I wanted to share a few of the sites I am concerned are not realistic:

- Climbing gym at the old Walgreens at 1607 Shattuck Avenue
- Monterey Market and parking lot at 1550 Hopkins Street
- Multiple Andronico's and CVS stores are included, but others, such as Whole Foods (Telegraph and Ashby) and Safeway (Shattuck and Rose) are not. It is unclear why some of these existing functioning grocery stores are opportunity sites for housing and others not.

RECOMMENDATION

Revise Housing Element to Include Plan for Rezoning Commercial Corridors in Highest-Resource Areas. The housing element is our city's plan for housing at all income levels for the next eight years. If we do not take major steps now to affirmatively further fair housing, specifically by rezoning the highest-resourced commercial and transit corridors to allow more dense housing, we risk violating state law and continuing the pattern of not meeting our RHNA target for below-market-rate affordable housing. Rezoning the highest-resourced commercial and transit corridors—Solano Avenue and Shattuck Avenue in Northeast Berkeley and College Avenue in the Elmwood District—is a step towards truly integrating our city and reversing the housing pattern of racial segregation through exclusionary zoning.

I thank the Planning Staff and consultants for all of your work in preparing the draft housing element and look forward to reviewing your next update.

Sincerely,

Rashi Kesarwani District 1 Councilmember