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BALANCED HOUSING – A PROPOSAL

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Berkeley currently has about 57% rental housing and 43% ownership housing. The percentage of renters in Berkeley is greater than in any other East Bay city, higher than in the Bay Area as a whole, higher than Alameda County as a whole, and higher than in the state as a whole. The housing market in Berkeley is out of balance. At least half of Berkeley's residents should own and control their own housing.

Students, of course, need rental housing, because they are relatively unlikely to settle permanently in Berkeley. Likewise, rental housing is important as transition housing for those new to the area, or for those who expect that their employment will require relocation. And there are some individuals who, because of income limitations, will always be renters.

But for most of us, becoming a homeowner is an important part of accumulating financial security. The federal tax system is strongly structured to favor homeownership. Because of tax incentives, because of Proposition 13, and because inflation affects rents but not mortgages, owning one's own home makes very good sense for most of us.

Rental housing was at one time in short supply. Restrictive rent control caused, from 1979 to 1999, an apparent shortage of rental housing in Berkeley because low rents attracted people to Berkeley who would otherwise have chosen to live elsewhere. But with the advent of vacancy decontrol under the Rental Housing Act of 1995 (Costa-Hawkins), the rental market is returning to normal. Vacancy rates are high. Market rents have been declining for several years. There is no shortage of rental housing in Berkeley.

Now, it is ownership housing that is in short supply. Prices of single family homes and condominiums have been bid up tremendously in the past decade, to the point that middle income citizens are hard pressed to find a home they can afford in Berkeley. There are too few units on the market, and their prices are too high.

Meanwhile, the City of Berkeley's housing policies continue to be strongly pro-rental. Condominium conversions are restricted to 100 units per year and are subject to onerous taxation. Not only do the City's policies disfavor homeownership, the City in recent years has permitted the construction of hundreds of rental units in high rise buildings in the downtown

area, further widening the gap between owners and renters in Berkeley while adding to traffic congestion and the urbanization of our City.

I therefore propose a moratorium on the construction of additional rental housing until the owner/renter balance is 50/50, closer to the Bay Area average. To move us in this direction, I propose that rental housing be allowed to freely convert to condominiums and that the conversion fee be no higher than 5%.