



Memorandum

TO: CITY COUNCIL

FROM: Mayor Sam Liccardo

SUBJECT: SEE BELOW

DATE: June 25, 2018

Approved

Date

6/25/18

SUBJECT: DEVELOPING A MULTIFAMILY SOFT STORY SEISMIC RETROFIT PROGRAM

RECOMMENDATIONS

1. Accept staff report, and the recommendations outlined on pages 13-14 of the staff report.
2. Consider an inspection fee waiver program stretching over multiple years, such that General Fund costs could be absorbed over time, to whatever extent grant sources such as CalOES cannot fund those fee waivers.
3. Consider a framework through a City-initiated General Plan amendment process to align the General Plan with the zoning to accommodate additional units on soft-story sites for affordable and market-rate units.
4. Direct the City Manager to engage in outreach with key stakeholders that explore the range of options that could accompany a mandatory compliance program, including incentivizing redevelopment of seismically unsafe buildings in such a way that could substantially expand our affordable housing supply by:
 - a. Providing expedited plan review;
 - b. Supplanting rent-controlled units with rent-restricted/inclusionary units at a fixed ratio sufficiently reasonable to facilitate redevelopment, but otherwise avoid subjecting any new additional units to rent control;
 - c. Advocating at the state level for legislation that would enable property owners to freeze the pre-existing basis for a redeveloped soft-story property for property tax assessment purposes
 - d. These incentives should be considered in combination with Ellis Act requirements, such as those providing relocation assistance for tenants and right-of-first refusal to existing tenants to move into rent-restricted units.
5. Consider including a requirement that landlords notify tenants in multiple languages—with city assistance, such as through pre-printed cards or letters for existing tenants, and with boilerplate language for inclusion in all new leases—when an apartment building has been identified as seismically vulnerable.

DISCUSSION

I thank Housing and City Manager staff for their work on this memorandum. I appreciate its central conclusion: that the City may have no viable alternatives to make tenants safe, beyond mandating improvements to soft-story buildings, as incentives alone appear unlikely to suffice.

Nonetheless, we should also acknowledge that the large (approximately \$110,000) retrofit mandates will be passed through to tenants—even under existing rent control laws—in the form of higher rents that will make life even more difficult for overburdened renters. Though we might have no better alternatives, we should do so in a way that doesn't diminish affordable housing supply, and provides those owners with options that might incentivize its production. In particular, the City should "lean in" on redevelopment of these soft-story parcels as potential sites for expanding our affordable and mixed-income housing supply. For several reasons, a "retrofit-only" or "retrofit-heavy" strategy will not meet our objectives.

First, as noted above, retrofits won't keep units affordable. The retrofit mandate will be accompanied by a substantial increase in rents for tenants, because City rent control laws allow pass-throughs of capital costs. If tenants move out as a result of those rent increases, or as a result of the construction noise, the units will return to market rate under vacancy decontrol rules.

Second, a retrofit mandate—without an incentive to redevelop—could encourage reluctant landlords—particularly in low-income neighborhoods with limited demand for higher-rent apartments—to simply shut down and evict the existing tenants, rather than attempting to finance the cost of a \$110,000 seismic retrofit. This is more likely to be true in instances where the older building already has many other large capital needs, such as a new roof or plumbing, and particularly if the mortgage is paid off.

Third, even after soft-story buildings have been retrofitted, these older apartments often provide dangerous, unhealthy places to live. They often have other seismic vulnerabilities. They're more likely to have lead paint, asbestos insulation, deteriorated electric wiring, dangerous mold in the walls, and numerous other unsafe conditions. They're likely not ADA-compliant. These and other maladies infect buildings of this vintage, and we lack the code enforcement resources to adequately enforce health and safety requirements in these older buildings. Re-development to code-compliant new apartments provides far greater assurance that tenants have access to safe, healthy housing.

Finally, we desperately need more housing. Creating a scheme that favors salvaging older soft-story buildings on sites where opportunities exist for greater density undermines our housing goals. Instead, let's encourage and incentivize the expansion of our housing supply, creating truly affordable, rent-restricted homes—rather than protecting rent controlled units that increase to market price with vacancy decontrol anyway—and generate millions in resources for parks, road improvements, and other amenities. Creating new housing seems far preferable to freezing an inadequate housing stock during a time of such need.