

Berkeley

Tax proposed on rentals

The proceeds from 'windfall profits' would boost low-cost housing

By Judith Scherr
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BERKELEY — Former housing director Stephen Barton is proposing a tax on large rental property owners' "windfall profits" to fund housing for low-income residents.

Landlord profit "is going up based on the value the public has created," Barton said, pointing to city parks, schools, BART and the university as amenities attracting people to Berkeley.

Since property values come from public investment, the public is entitled "to recapture some of that publicly created value," Barton said at a Tuesday City Council work session.

The proposal Barton wrote with Councilmen Jesse Arreguin and Laurie Capitelli and a group of affordable housing professionals would raise business license taxes for large rental property owners.

But Berkeley Rental

Housing Coalition Executive Director Krista Gulbransen, whose organization represents rental property owners, said while BRHC supports affordable housing, the burden of funding it should be spread among rental, residential and commercial property owners.

Rental property owners "are certainly not the only ones benefiting from the growth of the economy," she said. "This is a community problem that needs a community solution."

Tax measures directing funds to specific uses must be approved by two-thirds of Berkeley voters. The council will craft the measure in the coming months and decide whether to place it on the ballot.

The public can also place the measure on the ballot through the initiative process.

Barton presented two tax rates. One would raise business license taxes for residential rental properties with three or more units from about 1.1 percent of gross receipts to about 2.9 percent, yielding about \$4 million annually and costing the average property

owner about \$30 per unit per month.

Alternatively, raising the tax rate to 3.8 percent would yield \$6 million annually, costing about \$45 per unit each month.

Satellite Affordable Housing Associates Executive Director Susan Friedland said \$4 million annually would mean construction of 40 to 50 affordable units every year given that nonprofit housing developers must get about 25 percent of their funding from local sources to leverage other funds.

Barton proposed a number of exemptions, including one- and two-unit and nonprofit-owned properties; rent-controlled properties with pre-1999 tenants (before vacancy decontrol allowed landlords to set rents of rent-controlled units as high as the market will bear when units are vacated); low-and-moderate income landlords; and units with federally subsidized tenants.

He also suggested construction exemptions for 10 years to encourage new housing construction.

Berkeley's rent control law prevents tax increases from being passed on to ten-

ants. And landlords whose units aren't subject to rent control, Barton said, will not raise rents more than the market will bear.

Gulbransen contended Barton's proposal would overburden rental property owners, resulting in poorly maintained properties.

She offered two alternatives. One would tax commercial and rental property owners at 8 cents per square foot, yielding about \$1.9 million, and taxing residential owners at 3 cents per square foot, yielding about \$1.8 million.

Gulbransen's other alternative was raising business license taxes to 1.5 percent for rental housing and commercial owners, rather than Barton's proposed 2.9 percent for rental housing owners.

Proposals to fund affordable housing will be discussed at 2 p.m. Sunday at the Berkeley Arts Festival, 2133 University Ave. at a teach-in sponsored by the Berkeley Progressive Alliance, the Berkeley Tenants Union, the Berkeley NAACP, the UC Berkeley Black Student Union and others.