



Memorandum

**TO: HONORABLE MAYOR &
CITY COUNCIL**

FROM: Councilmember Johnny Khamis

**SUBJECT: CITYWIDE RESIDENTIAL
ANTI-DISPLACEMENT
STRATEGY**

DATE: September 21, 2020

APPROVED:

09/21/2020

RECOMMENDATION:

Accept the Staff report and approve recommendations 1, 2, and 4 through 10, of the Citywide Residential Anti-Displacement Strategy as proposed by Staff and approve an amended recommendation #3 - Explore a Community Opportunity to Purchase Program/Ordinance (COPA) – from the proposed strategy with the following modifications:

- 1) Research non-profits with the interest and capacity to purchase residential properties;
- 2) Obtain purchaser pre-qualification from these non-profits;
- 3) Have the City or non-profits engage with at least two Realtors as buyer's agents to search for target properties for purchase – particularly, naturally-affordable, multi-family housing and units within newly-constructed market-rate developments;
- 4) Eliminate the proposed right of first refusal provision;
- 5) Return to the Community and Economic Development Committee, with a cross-reference to the full Council, after the framework for the COPA is developed to provide an update and provide any further guidance that may be required.

BACKGROUND:

I have been encouraging the City to partner with the non-profit sector and real estate professionals to acquire naturally-affordable and blocks of already-built units to more quickly obtain housing units that can be set aside as affordable for very-low-income, low-income, and workforce housing units. We need to find ways of creating affordable housing to make scarce, flexible housing dollars go further. We cannot continue to rely solely on publicly-developed “affordable” housing that is economically unaffordable to construct, at \$600-\$900 per square foot - we need to find ways to make taxpayer resources, such as Measure E money and private donations, go farther.

CITY COUNCIL
AGENDA: 09/22/2020
FILE: 20-1094
ITEM: 8.1

Establishing bureaucracy-heavy approaches – and government-mandated rights of first refusal – is not the right approach. The City would risk overpaying for assets with a right of first refusal and with public knowledge that the government is interested in a particular property it could drive up costs. Further, the City could expose itself to lawsuits for impairing a seller's ability to place their units on the market in a timely fashion – especially if they are a motivated seller who has a compelling need to complete a sale quickly (such as a sale motivated by an owner's relocation, or by the estate of a decedent).

Instead, by utilizing Realtor representatives and purchasing on the open market, the City avoids possible legal challenges, and is more likely to obtain a fairer price, whether purchasing multi-family housing like fourplexes and small apartment buildings, or blocks of units in newly-built structures when offered in the market. It is best for these purchases to retain the sort of anonymity that the open market provides, to avoid price gouging or artificial price inflation.

By buying, instead of building, we can obtain new and existing housing stock that is likely to cost far less on a per-unit basis than were the City to develop new all-affordable units from scratch. Partnering with non-profits to purchase units that can be restricted as affordable units can be an effective way to avoid displacement and a prove to be a successful part of a comprehensive non-displacement strategy.