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COUNCIL MEETING OF:

SEP 20 2005

OFFICE OF THE CITY CLERK
CITY OF BERKELEY

Tuesday, Sept.20, 2005

TO: City Council and Honorable Mayor
FROM: Council members Capitelli, Olds and Wozniak
RE: Proposed Amendment to the Condominium Conversion Ordinance

We suggest the following proposed amendment to Section 21.28.060 of the Condominium Conversion Ordinance:

“In cases where residents who are owners as tenants in common of a 2 unit duplex and at least one of the owners has lived in the unit as their principle place of residence for ten years, before purchasing the duplex, the owners be provided an exemption under the terms of this provision.”

Background:

It is commonly acknowledged that TIC ownership is a very problematic form of ownership. As a City we should be encouraging affordable ownership opportunities.

Many tenants were forced into TIC ownership because they were threatened with eviction from their rental units.

Allowing owner occupied TIC duplex owners to convert without the burden of huge mitigation fees is not going to threaten our rental housing stock.

Two unit duplexes are frequently treated differently. In San Francisco, two unit building bypass the conversion lottery, if both units are occupied for one year by separate individuals who each own at least 25% interest in the property during the entire occupancy period.

In the report to council, “Amendment to the Condo Conversion Ordinance,” Mr. Barton mentions that there are situations where reduced fees might be appropriate. (p. 175)

We are suggesting that in situations where a TIC duplex is owner occupied and one of the owners has lived in the unit for more than ten years, that the fees for condo conversion be completely waived.

TIC/CONDOMINIUM CONVERSION COMPARISON

	TIC	10%	12.5% fee	15% fee
Selling Price	\$400,000	\$500,000	\$500,000	\$500,000
Conversion fee	\$0	\$50,000	\$62,500	\$75,000
Transfer Tax (1/2)	\$3,000	\$3,750	\$3,750	\$3,750
Selling costs @ 6%*	\$24,000	\$30,000	\$30,000	\$30,000
Conversion costs**	<u>\$0</u>	<u>\$10,000</u>	<u>\$10,000</u>	<u>\$10,000</u>
<u>Net Proceeds</u>	<u>\$373,000</u>	<u>\$406,250</u>	<u>\$393,750</u>	<u>\$381,250</u>
Differential from TIC		\$33,250	\$19,750	\$8,250

*includes brokerage, closing costs, misc. fees

**parcel map, CC&R's, etc. Fees would be higher for 5+ unit bldg.

This scenario assumes a 25% added value for condo conversion.

Estimates of added value range from 15-25%.

A lower added value would narrow the differential significantly.

Submitted by Laurie Capitelli 9/20/05

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