



Office of the City Manager

SUPPLEMENTAL AGENDA MATERIAL

Meeting Date: July 25, 2006

Item Number: 40

Item Description: Impact Report: Initiative amending Berkeley Municipal Code Chapter 21.28 to Encourage and Regulate Conversion of a Limited Number of Rental Units to Condominiums

Supplemental attachment submitted by Housing.

RECEIVED AT
COUNCIL MEETING OF:

#40 from Housing Dept -

JUL 25 2006

OFFICE OF THE CITY CLERK

CITY OF BERKELEY

Affordability of Condominium Purchases for Low, Median, and Moderate Income Households, 2006			
Parameter of Analysis	Household Income at 80 Percent of Area Median Income	Household Income at 100 Percent of Area Median Income	Household Income at 120 Percent of Area Median Income
Interest Rate	7.0%	7.0%	7.0%
Loan Term (years)	30	30	30
Down Payment Assumed (%)	5.0%	5.0%	5.0%
Taxes and Insurance Estimated Rate (% of Sales Price)	2.0%	2.0%	2.0%
Private Mortgage Insurance as % of Loan Value	0.6%	0.6%	0.6%
Maintenance as a % of Sale Price	0.5%	0.5%	0.5%
Loan to Value Ratio Assumed	95%	95%	95%
Assumed Household Size	2	2	2
Percentage of Area Median Income, 2006	80%	100%	120%
Area Median Income	\$67,000	\$67,000	\$67,000
Gross Household Income in Home Purchase Scenario	\$53,600	\$67,000	\$80,400
Assumed Qualifying Ratio for Buyer (% of Household Income)	30.5%	31.5%	32.2%
Available for Monthly Mortgage Costs	(\$1,362)	(\$1,759)	(\$2,157)
Loan Value Affordable at Income Level	\$204,769	\$264,353	\$324,274
Home Price Affordable at Income Level and Loan to Value Ratio	\$215,546	\$278,267	\$341,341
Monthly Premium for Private Mortgage Insurance	(\$102)	(\$132)	(\$162)
Taxes and Insurance Estimated	(\$359)	(\$464)	(\$569)
Homeowners Association	(\$250)	(\$250)	(\$250)
Water and Sewer	(\$40)	(\$40)	(\$40)
Refuse	(\$30)	(\$30)	(\$30)
Maintenance	(\$90)	(\$116)	(\$142)
Total Monthly Housing Costs	(\$2,234)	(\$2,791)	(\$3,351)
Ratio of Total Monthly Housing Costs to Total Monthly Gross Household Income	50.0%	50.0%	50.0%
First Year Mortgage Interest	14,268	18,420	22,595
Home Price Affordable at Income Level and Loan to Value Ratio, 2006	\$215,546	\$278,267	\$341,341
Approximate Percentile of Condominium Sales in 2005 (Median sale price would be 50th Percentile; N=136)	2nd	4th	10th
Median Home Prices, 2005	\$480,000	\$480,000	\$480,000
Affordable Home Price less Median Home Price	(\$264,454)	(\$201,733)	(\$138,659)
Source: City of Berkeley Housing Department. Utilities are excluded from the analysis because Rent Board staff report that 75 to 80 percent of tenants pay their own utilities; consequently, new home buyers who are tenants would not be facing utilities as new costs in their household budget.			

Analysis of Tax Impact on Ownership Housing Burden			
Married, Filing Jointly (no dependents)	Household Income at 80 Percent of Area Median Income	Household Income at 100 Percent of Area Median Income	Household Income at 120 Percent of Area Median Income
Gross Household Income in Home Purchase Scenario	\$53,600	\$67,000	\$80,400
2-Person Household Federal Exemptions (\$3200 per exemption)	6,400	6,400	6,400
Standard Deduction	10,000	10,000	10,000
Itemized Deductions			
Mortgage Interest Paid	14,268	18,420	22,595
Property Taxes Paid (1.6% of Sales Value)	3,449	4,452	5,461
Taxable Income, Standard Deduction	37,200	50,600	64,000
Federal Tax	4,825	6,835	8,845
State Tax	1,133	2,281	3,527
Total Income Tax Obligations, Standard Deduction	5,958	9,116	12,372
Taxable Income, Itemized Deductions	29,483	37,728	45,944
Federal Tax	3,667	4,904	6,137
State Tax	649	1,181	1,853
Total Income Tax Obligations, Itemized Deduction	4,316	6,085	7,990
Tax Savings	1,642	3,031	4,382
Tax Savings per Month	137	253	365
Total Monthly Housing Costs Before Tax Analysis	2,234	2,791	3,351
Total Monthly Housing Costs After Tax Analysis	2,097	2,538	2,985
Ratio of Total Monthly Housing Costs After Taxes to Total Monthly Gross Household Income	46.9%	45.5%	44.6%
Ratio of Total Monthly Housing Costs Before Taxes to Total Monthly Gross Household Income	50.0%	50.0%	50.0%
Source: Internal Revenue Service; California Franchise Tax Board; City of Berkeley Housing Department.			