



Office of the City Manager

INFORMATION CALENDAR
October 28, 2025

To: Honorable Mayor and Members of the City Council
 From: Paul Buddenhagen, City Manager
 Submitted by: Scott Gilman, Director, Health, Housing, and Community Services
 Subject: Inclusionary Housing Program Annual Report Fiscal Year 2025

INTRODUCTION

The City of Berkeley's Inclusionary Housing Ordinance (IHO) (Berkeley Municipal Code Chapter 23.328) requires most new residential projects to contribute to affordable housing by either:

- Providing Below Market Rate (BMR) units on-site, which become part of the City's BMR program; or
- Paying the Inclusionary Housing Ordinance Affordable Housing In-Lieu Fee ("in-lieu fee") into the City's Housing Trust Fund, which supports the development of 100% affordable housing.

This report summarizes program activity for Fiscal Year 2025 (FY 2025) and provides updates on in-lieu fee adjustments, revenue, and anticipated trends.

CURRENT SITUATION AND ITS EFFECTS

The following is a summary of findings related to the City's BMR program in FY 2025.

Affordable Housing Compliance Plan: Entitlements and Building Permits

New residential projects submit a preliminary Affordable Housing Compliance Plan (AHCP) during the entitlements process and a final AHCP before building permits. The AHCP confirms how the project will comply with the IHO. For example, a project may comply by providing on-site BMR units, paying the in-lieu fee, or a combination of both methods. The AHCP facilitates transparency and predictability for the applicant and City. The submission of an AHCP does not necessarily indicate that a project will be built or pay the fee in a particular year.

- In FY 2025, the total number of units with entitlements processed was 1,813 units, including 163 BMR units. The projected fee revenue for these units is \$11.2 million (**Table 1**). Projects that were both entitled and received building permits in FY 2025 are included in the next section.

- In FY 2025, the total number of units with building permits processed was 482 units, including 42 BMR units. The projected fee revenue for these units is \$11.4 million (**Table 1**). This figure includes projects entitled under both the IHO and the Affordable Housing Mitigation Fee ordinance (AHMF).
- A full list of proposed projects that have the status of a preliminary or final AHCP in FY 2025 can be found in **Attachment 1**. Preliminary AHCP are estimates and may shift prior to building permit.

Table 1. BMR Program Pipeline

Category	Total Projects	Total Units	BMR Units	Projected Fee Revenue
Entitlements Processed	14	1,813	163	\$11.2M
Building Permits Processed	<u>8</u>	<u>669</u>	<u>51</u>	<u>\$11.4M</u>
Pipeline Total	22	2,482	214	\$22.6M

Newly Constructed Below Market Rate Units

- In FY 2025, 30 newly constructed BMR units were available for lease across seven buildings;
- 10 units were made available to Section 8 voucher holders; and
- 10 units were made available to Shelter + Care voucher holders.

A table showing the complete list of projects is included in **Attachment #1**.

Biennial Automatic Adjustment of Inclusionary Housing In-Lieu Fee

Resolution No. 71,674-N.S. established an automatic adjustment to the in-lieu fee to reflect changes in the California Construction Cost Index every two years, beginning on July 1, 2025.

In 2023, the CCI increased by 9.4%. In 2024, the index increased by 2.3%. This represents a cumulative increase of 11.7% over the past two years.

On July 1, 2025, the in-lieu fee increased from \$56.25 to \$62.83 per square foot of Residential Unit Floor Area for new residential construction. See Table 2 for the 2025 in-lieu fee calculation.

Table 2. 2025 In-Lieu Fee Update

2023 Fee	2023 CCI Change	2024 CCI Change	Total CCI % Increase (2023 and 2024)	2025 Fee
\$56.25	9.4%	2.3%	11.7%	\$62.83

Total Fee Revenue

In FY 2025, the City collected \$831,000 in fees. These fees were collected from projects entitled under the previous AHMF ordinance.

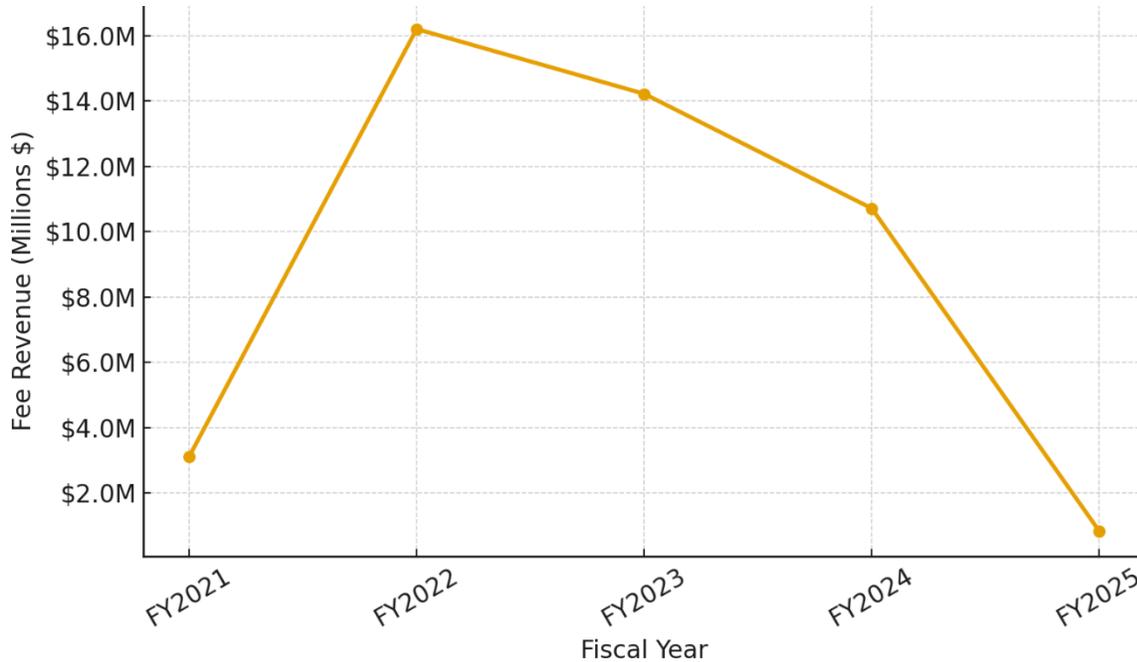
As of April 1, 2023, residential projects are subject to the requirements under the IHO. Residential projects with a building permit or preliminary application submitted on or before April 1, 2023, are subject to the AHMF ordinance. The City’s AHCP data demonstrates that there is a significant pipeline of projects entitled under IHO, but they are not required to pay the fee until the Certificate of Occupancy. Fee revenue will transition from the AHMF to the IHO in lieu fee as entitlements progress.

Table 3 and **Figure 1** show the revenue collected each year from FY 2021 to FY 2025. Over the past five years, the City averaged \$9 million per year in fee revenue.

Table 3. BMR Program Fee Revenue (FY 2021 to FY 2025)

	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
AHMF	\$3,112,000	\$16,208,000	\$14,224,000	\$10,716,000	\$831,000

Figure 1. BMR Program Fee Revenue (FY 2021 to FY 2025)



BACKGROUND

The Inclusionary Housing ordinance is established by BMC Chapter 23.328.

On February 14, 2023, the Berkeley City Council updated the affordable housing requirements for new market-rate construction, transitioning from the AHMF ordinance to the IHO.

As of July 1, 2025, the BMR program provides 605 units across 61 properties. Fees collected under the ordinance are dedicated to the City’s Housing Trust Fund program to fund non-profit, 100% affordable housing developments.

ENVIRONMENTAL SUSTAINABILITY AND CLIMATE IMPACTS

There are no identifiable environmental effects associated with the subject of this report.

POSSIBLE FUTURE ACTION

Resolution No. 71,674-N.S. established an automatic adjustment to the in-lieu fee to reflect changes in the California Construction Cost Index every two years. On July 1, 2027, the in-lieu fee will automatically increase based on changes to the Construction Cost Index.

FISCAL IMPACTS OF POSSIBLE FUTURE ACTION

Affordable Housing Mitigation Fee and In-lieu fee revenue is deposited in the City’s Housing Trust Fund program. Bond measures, such as Measure O, provide a significant

but one-time source for affordable housing. The in-lieu fee is Berkeley's primary dedicated funding source to support 100% affordable housing and leverage County, State, and federal funding.

Revenue trends depend on development activity, compliance choices (BMR units vs. fees), state law changes, and broader housing market conditions. Revenue trends have slowed, consistent with the shifts in the housing market due to increased construction costs and higher interest rates than previous years.

CONTACT PERSON

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Attachments:

- 1: Below Market Rate Properties FY 2025

Attachment 1: Below Market Rate Properties FY 2025

Table 1. Residential Projects Pipeline by AHCP Status

Address	Applicable Ordinance	Total Units	BMR Units	Fee Estimate
Preliminary AHCP (Entitlements Processed)				
Bancroft 2036	IHO	87	6	\$1,520,000
Bancroft 2462	IHO	66	3	\$920,000
Bancroft 2680	IHO	79	9	\$160,000
Channing 2317	AHMF	22	3	\$620,000
Haste 2442	IHO	38	4	\$1,020,000
Kittredge 2138	IHO	66	5	\$640,000
Milvia 2109	IHO	105	11	\$320,000
San Pablo 2147	IHO	141	15	\$300,000
Shattuck 1685/ Virginia 2109	IHO	110	9	\$460,000
Shattuck 2655	IHO	97	10	\$520,000
Tenth St. 1917	IHO	3	0	\$70,000
University 1950	IHO	599	58	\$2,890,000
University 2029 #1	IHO	240	18	\$890,000
University 2029 #2	IHO	<u>160</u>	<u>12</u>	<u>\$930,000</u>
Preliminary AHCP Subtotal		1,813	163	\$11,260,000
Final AHCP (Building Permits Processed)				
San Pablo 2403	IHO	36	0	\$1,950,000
Channing 2328	AHMF	13	0	\$600,000
University 1598	IHO	207	21	\$810,000
Kittredge 2065	AHMF	187	9	\$5,450,000
San Pablo 3020	IHO	29	4	\$180,000
Ashby 1331	AHMF	6	1	\$40,000
Durant 2538	AHMF	83	6	\$1,290,000
Shattuck 1752	AHMF	68	7	\$460,000
Shattuck 2440	AHMF	<u>40</u>	<u>3</u>	<u>\$600,000</u>
Final AHCP Subtotal		669	51	\$11,380,000
Total		2,482	214	\$22,640,000

Attachment 1: Below Market Rate Properties FY 2025 (cont.)

Table 2. New Projects and Below Market Rate Units (FY 2025)

Address	Total Units	BMR Units
Shattuck 2701	57	5
MLK 2099	72	5
Oxford 1773	24	3
University 1698	36	6
Bancroft 2590 / Bowditch 2300	87	5
2480 Bancroft Way	28	2
2650 Telegraph	<u>45</u>	<u>4</u>
Total	349	30

