



Housing Advisory Commission

Regular Meeting Thursday, May 7, 2026 7:00 pm	South Berkeley Senior Center 2939 Ellis Street Mike Uberti, Secretary HAC@berkeleyca.gov
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This meeting will be conducted in a hybrid model with both in-person and virtual attendance. Attend this meeting remotely using Zoom: <https://cityofberkeley-info.zoomgov.com/j/1611379152>. To request to speak, use the “raise hand” function in Zoom. To join by phone: Dial **1-669-254-5252** or **1-833-568-8864 (Toll Free)** and enter **Meeting ID: 161 137 9152**. To provide public comment, Press *9 and wait to be recognized by the Chair. To submit a written communication for the public record, email HAC@berkeleyca.gov.

This meeting will be conducted in accordance with the Brown Act, Government Code Section 54953. Any member of the public may attend this meeting, however, if you are feeling sick, please do not attend the meeting in person. Questions regarding this matter may be addressed to HAC@berkeleyca.gov.

Written communications submitted by mail or e-mail to the Housing Advisory Commission by 5:00 p.m. the day before the meeting will be distributed to the members of the Committee in advance of the meeting and retained as part of the official record.

All agenda items are for discussion and possible action.

Public comment policy: Members of the public may speak on any items on the Agenda and items not on the Agenda during the initial Public Comment period. Members of the public may also comment on any item listed on the agenda as the item is taken up. Members of the public may not speak more than once on any given item. The Chair may limit public comments to 3 minutes or less.

1. **Roll Call**
2. **Land Acknowledgment** (Attachment 1)
3. **Agenda Approval**
4. **Public Comment**
5. **Approval of April 9, 2026 Regular Meeting Minutes** (Attachment 2)
6. **Discussion and Potential Action to Recommend a Condominium Conversion Ordinance Update for the Affordable Housing Nexus Fee Formula and Owner-Occupant Qualification – Mike Uberti, HHCS** (Attachment 3)

7. **Discussion and Potential Action to Recommend 2026 Capacity Building Request for Proposals Funding Recommendations** – Asavari Devadiga (Attachment 4)
8. **Receive Presentation on People’s Park Affordable Housing Development Update** – Satellite Affordable Housing Associates (SAHA)
9. **Discussion and Potential Action on 2026 Legislative Priorities Memo** – Commissioner Potter (Attachment 5)
10. **Update on Council Items (Future Dates Subject to Change)**
11. **Announcements/Information Items**
12. **Future Items**
13. **Adjourn**

Attachments

1. Land Acknowledgment
2. Draft April 9, 2026 Regular Meeting Minutes
3. Mike Uberti, HHCS, Condominium Conversion Ordinance Update for the Affordable Housing Nexus Fee Formula and Owner-Occupant Qualification
4. Asavari Devadiga, HHCS, 2026 Capacity Building Request for Proposals Funding Recommendations
5. Commissioner Potter, District 6, Discussion and Potential Action on 2026 Legislative Priorities Memo

Notices

Notice of Public Record

Communications to Berkeley boards, commissions or committees are public record and will become part of the City’s electronic records, which are accessible through the City’s website. Please note: E-mail addresses, names, addresses, and other contact information are not required but, if included in any communication to a City board, commission, or committee, will become part of the public record. If you do not want your e-mail address or any other contact information to be made public, you may deliver communications via U.S. Postal Service or in person to the secretary of the relevant board, commission, or committee. If you do not want your contact information included in the public record, please do not include that information in your communication. Please contact the secretary of the relevant board, commission, or committee for further information.

Any writings or documents provided to a majority of the commission regarding any item on this agenda will be made available for public inspection at Health, Housing, and Community Services located at 2180 Milvia Street, Berkeley, CA 94704.



Communication Access Information

This meeting is being held in a wheelchair accessible location. To request a disability-related accommodation(s) to participate in the meeting, including auxiliary aids or services, please contact the Disability Services specialist at ada@berkeleyca.gov, (510) 981-6418 (V), or (510) 981-6347 (TDD) at least three business days before the meeting date. Attendees at public meetings are reminded that other attendees may be sensitive to various scents, whether natural or manufactured, in products and materials. Please help the City respect these needs.

Certification of Public Posting

I hereby certify that the agenda for this meeting of the Berkeley City Commission was posted at the display case located near the walkway in front of the Maudelle Shirek Building, 2134 Martin Luther King Jr. Way, as well as on the City's website, on April 30th, 2026.

A handwritten signature in black ink, appearing to read 'Mike Uberti', with a stylized flourish at the end.

Mike Uberti, Secretary

ATTACHMENT 1

Land Acknowledgement Statement

The City of Berkeley recognizes that the community we live in was built on the territory of xučyun (Huchiun (Hooch-yoon)), the ancestral and unceded land of the Chochenyo (Cho-chen-yo)-speaking Ohlone (Oh-low-nee) people, the ancestors and descendants of the sovereign Verona Band of Alameda County. This land was and continues to be of great importance to all of the Ohlone Tribes and descendants of the Verona Band. As we begin our meeting tonight, we acknowledge and honor the original inhabitants of Berkeley, the documented 5,000-year history of a vibrant community at the West Berkeley Shellmound, and the Ohlone people who continue to reside in the East Bay. We recognize that Berkeley's residents have and continue to benefit from the use and occupation of this unceded stolen land since the City of Berkeley's incorporation in 1878. As stewards of the laws regulating the City of Berkeley, it is not only vital that we recognize the history of this land, but also recognize that the Ohlone people are present members of Berkeley and other East Bay communities today. The City of Berkeley will continue to build relationships with the Lisjan Tribe and to create meaningful actions that uphold the intention of this land acknowledgement.



Housing Advisory Commission

HOUSING ADVISORY COMMISSION DRAFT MINUTES

Regular Meeting Thursday, April 9, 2026 7:09 pm	South Berkeley Senior Center 2939 Ellis Street Mike Uberti, Secretary HAC@berkeleyca.gov
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1. **Roll Call**

2. Present: Valeria Chupina (alternate for Alfred Twu, arrived 7:19 pm), Sarah Bell, Karen Haycox, Syrak Micael, Rebecca Mirvish (departed at 8:46 pm), Debbie Potter, David Shere, Leah Simon-Weisberg, and Sean Vaughn Scott.

Absent: Alfred Twu (excused).

Staff Present: Mike Uberti

Commissioners in attendance: 9 of 9

Members of the public: 10

Public Speakers: 1

3. **Land Acknowledgement**

4. **Agenda Approval**

Action: M/S/C (Potter/Haycox) to approve the agenda.

Vote: Ayes: Bell, Haycox, Micael, Mirvish, Potter, Shere, Simon-Weisberg, and Vaughn Scott. Noes: None. Abstain: None. Absent: Chupina (unexcused).

5. **Public Comment**

There was one speaker during public comment.

6. **Approval of February 5, 2026 Regular Meeting Minutes.**

Action: M/S/C (Potter/Micael) to approve the March 5, 2026 Regular Meeting minutes.

Vote: Ayes: Bell, Chupina, Haycox, Micael, Mirvish, Potter, Shere, Simon-Weisberg, and Vaughn Scott. Noes: None. Abstain: None. Absent: None.

7. Discussion and Possible Action to Recommend Inclusionary Housing In-Lieu Fee Update for Single-Family Dwelling

Action: M/S/C (Simon-Weisberg/Potter) to recommend City Council adopt a Resolution amending the Inclusionary Housing in-lieu fee to established a 2,500 square foot Residential Unit Floor Area deduction for all Single-Family Dwelling projects and maintain the 5,000 square foot RUFA deduction for Multi-Family Dwelling and MHIP projects, and request analysis of the 2,500 RUFA deduction be included in the planned study of the in-lieu fee's impact on middle housing scheduled for 2028.

Vote: Ayes: Bell, Chupina, Haycox, Micael, Mirvish, Potter, Shere, Simon-Weisberg, and Vaughn Scott. Noes: None. Abstain: None. Absent: None.

8. Discussion and Possible Action on a Unified, Flexible Local Density Bonus Program

Public Speakers: 2

7. Update on Council Items (Future Dates Subject to Change)

8. Announcements/Information Items

9. Future Items

10. Adjourn

Action: M/S/C (Shere/Potter) to adjourn at 9:46 pm.

Vote: Ayes: Bell, Chupina, Haycox, Micael, Potter, Shere, Simon-Weisberg, and Vaughn Scott. Noes: None. Abstain: None. Absent: Mirvish (unexcused).

Internal



To: Honorable Mayor and Members of the City Council
Date: April 30, 2026
From: Mike Uberti, Senior Community Development Project Coordinator, Health, Housing, and Community Services
Subject: Condominium Conversion Ordinance Update for the Affordable Housing Fee Nexus Formula and Owner-Occupant Qualification

RECOMMENDATION

Conduct a public hearing and upon conclusion, adopt first reading of an Ordinance to amend Berkeley Municipal Code Chapter 21.28 (Condominium and Other Common Interest Subdivisions) to revise the Affordable Housing Fee formula and Owner-Occupant requirements.

SUMMARY

Staff are responding to a Council referral to update the Condominium Conversion ordinance with two policy updates.

The first policy amendment would remove the June 30, 2010 cutoff for the 50% owner-occupant Affordable Housing fee reduction. This maintains the original intent of supporting long-term resident Tenancy in Common conversions while improving equity and consistency.

Staff are also proposing an amendment to the nexus fee formula. The proposed nexus fee amendment replaces the current rent-versus-ownership cost calculation adopted in 2012. This formula is sensitive to market variables, including interest rates and rapidly rising rents.

The proposed methodology will calculate the comparable cost of replacing an affordable unit. This update provides for a stable and legally defensible nexus while preventing scenarios in which low interest rates and high rents could yield a net-zero fee.

Staff do not anticipate significant revenue changes, as most applicants elect the Rental Limitation alternative. This fee alternative is a fixed percentage of the sales price (typically significantly lower than the nexus fee) in exchange for tenant rights and protections.

FISCAL IMPACTS OF RECOMMENDATION

Staff does not anticipate that changing the nexus formula will have a significant impact on fee revenue. The strong majority of applicants elect to use the Rental Limitation formula in lieu of the nexus formula, which calculates the fee as a percentage of each converted unit's appraised value or sales price.

The ordinance generated \$2,232,661 in affordable housing fee revenue across 63 units since 2017 (the first year the City received revenue from the 2012 ordinance update). Applicants opted into the Rental Limitation fee for 93% of the unit's converted since the 2012 ordinance update.

Affordable housing fee revenue supports the Housing Trust Fund program.

CURRENT SITUATION AND ITS EFFECTS

Staff are proposing two policy changes to the Condominium Conversion Ordinance to facilitate a more efficient and clear process for applicants and staff. These changes will also mitigate potential loopholes and administrative challenges.

Owner-Occupancy Fee Reduction Update

The ordinance provides a 50% fee reduction for owner-occupants of a converting unit with at least five years of residency, "but only if the owner owned and resided in the unit as of June 30, 2010". This provision is intended to support Tenancy in Common (TIC) owners seeking to convert their units into condominiums.

Staff could not identify a clear policy rationale for restricting eligibility to a fixed date in 2010. The date effectively excludes more recent TIC owners and provides inequitable access to the incentive.

The Council referral stated to remove the 2010 eligibility cutoff and continue to allow the 50 percent fee reduction for owner-occupants with at least five years of continuous residency. This includes time as a tenant. This change would maintain the ordinance's original policy objective of supporting owner-occupancy and TIC conversions while improving equity and consistency.

Owner-occupied units accounted for 30% of converted units since 2012.

Revised Affordable Housing Fee Formula

The current affordable housing fee nexus structure fluctuates significantly with market forces due to varying interest rates and significant rent increases since the fee was adopted in 2012. The current formula did not anticipate Berkeley's rapidly escalating rents or the potential for sustained low interest rates. Staff processed an application that leveraged high rents and low interest rates to produce a net zero fee. While current

elevated interest rates mitigate this risk in the near term, the proposed policy change would mitigate future loopholes.

The current nexus formula calculates the fee based on the difference between a tenant's current rent and the cost of ownership of the converted condominium (e.g., mortgage costs, taxes, insurance, and homeowners association fees). The resulting affordability difference is divided by the current Federal Housing Administration fixed mortgage interest rate (Figure 1). This approach is highly sensitive to market variables, including interest rates, ownership costs, and rent levels. This facilitates inconsistent outcomes and administrative complexity.

Figure 1. Current Affordable Housing Fee Nexus Formula.

$$\text{Nexus Fee} = \frac{(\text{Annual Ownership Costs} - \text{Annual Rental Costs})}{\text{Fixed Mortgage Interest Rate}}$$

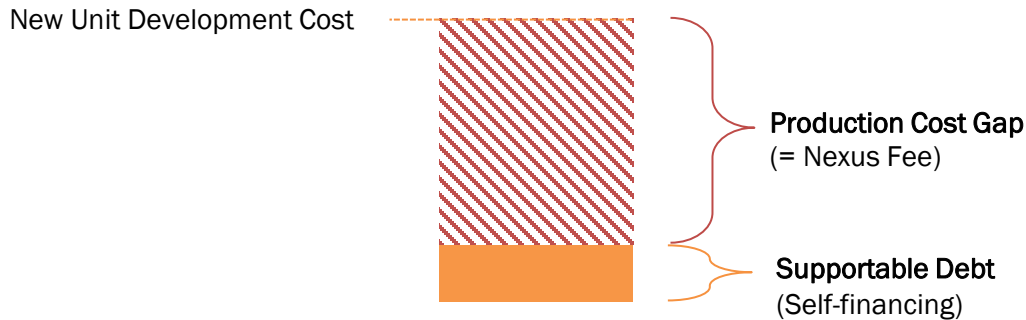
The proposed formula revision shifts the nexus calculation to reflect the cost of affordable housing production. The revised approach establishes the affordable housing fee based on the City's cost to replace the lost rental unit with a newly constructed, income-restricted affordable housing unit (Figure 2). The formula will use set assumptions for Development Cost and Operating Costs to create consistency with fee calculations.

The calculation:

- Estimates the average development cost of producing a comparable affordable rental unit;
- Subtracts the "supportable debt" that can be financed through rental income. The supportable debt is calculated by using the unit's net operating income to calculate a loan over 30 years using the current annual mortgage rate and a standard debt coverage ratio; and
- Sets the nexus fee equal to the difference between the development cost and the supportable debt. This represents the production cost gap required to develop a replacement affordable unit.

Figure 2. Proposed Revised Affordable Housing Fee Nexus Formula

Nexus fee = Development Cost of an Equivalent Affordable Unit – Supportable Debt



Source: Strategic Economics

Step 1: Calculate the development cost.

$$Development\ Cost = Unit\ square\ feet \times Development\ Cost\ per\ square\ foot$$

Step 2: Calculate the supportable debt.

$$Supportable\ Debt = Present\ Value\ Loan\ of \left(\frac{Net\ Operating\ Income}{Debt\ Service\ Coverage\ Ratio} \right) \\ over\ 30\ years\ at\ the\ current\ Annual\ Interest\ Rate$$

The proposed formula will create a scale of set fees to reflect the replaced rental unit's equivalent affordable unit. This will be organized by Area Median Income. Set fees will be established for Extremely Low Income to Moderate Income households. Units with rents exceeding the Moderate Income threshold will be calculated on a unit-by-unit basis using the formula in Section 21.28.070.

For example, a converting rent-controlled one-bedroom unit with a \$1,500 rent would be the equivalent of replacing a Very Low Income (VLI) unit, or a unit affordable to a two person household earning 50% AMI or below (\$63,950 per year as of April 2026). The fee would be set to capture the cost of replacing an affordable VLI unit (\$319,007 based on 2026 assumptions, updated annually).

The fee schedule will be updated annually to reflect the change in Area Median Income. Income for unit size will be calculated according to the minimum household standards for bedroom size. Formula assumptions for development and operating costs were established via the Inclusionary Housing in-lieu fee nexus study. They will be updated

annually to reflect inflation. The fee schedule will be set according to the City’s administrative guidelines.

Owner-occupied or vacant units will use the City’s median rents as established by the Rent Board’s Annual Rent Report. This is \$2,280 for 2025, or the equivalent of a Low-Income unit.

Staff do not anticipate that changing the fee structure will shift how applicants elect to comply with the affordable housing fee requirements. The majority of applicants elect to use the Rental Limitation formula in lieu of the nexus formula. The Rental Limitation formula option provides applicants with the ability to extend rental protections to tenants in exchange for a reduced fee set at eight percent of the unit’s sales price for properties with three or more units, or four percent for duplexes. Tenants also receive an exclusive right to purchase and a lifetime lease (Figure 4).

Figure 4. Rental Limitation Fee Alternative

	Percentage of price at time of sale	25% reduction if paid at application (appraised price)
2 Units (Duplex)	4%	3%
3+ Units	8%	6%

Staff expect this trend to continue, as the flat percentage of sales price tends to be significantly lower than either the current or proposed nexus formula.

Forty-percent of converted units since 2017 were tenant occupied. Thirty-percent were vacant.

Attachment 2 provides an example of each fee and a summary of formula assumptions.

BACKGROUND

The City of Berkeley condominium conversion ordinance regulates the conversion of rental properties into condominiums and establishes tenant protections and affordable housing requirements intended to offset the loss of rent-controlled or naturally occurring affordable housing.

Property owners converting multifamily rental housing to condominium units are required to mitigate impacts on housing affordability because rental housing in Berkeley is generally more affordable than ownership housing, particularly for rent-controlled units. Conversions represent a permanent loss of affordability because condominiums are typically priced higher and not subject to rent stabilization requirements. However,

they do offer more affordable opportunities for ownership compared to single-family homes. Condominium conversions may also offer better security for TIC owners.

The ordinance was adopted in 1992. It was last updated in 2012.

ENVIRONMENTAL SUSTAINABILITY AND CLIMATE IMPACTS

Revenue generated from the condominium conversion ordinance supports affordable housing production and preservation. This promotes housing stability and mitigates displacement-related travel patterns, consistent with the City's climate action and sustainability goals.

RATIONALE FOR RECOMMENDATION

The 2010 residency cutoff for owner-occupant eligibility appears arbitrary and is unattainable for many recent TIC owners. Removing the date maintains the ordinance's intent to support owner occupancy and small property ownership while expanding access to the incentive. TIC conversions can support more stable and accessible ownership opportunities for existing residents.

The proposed formula more accurately reflects the cost of providing affordable housing in Berkeley. It also prevents potential scenarios where low interest rates and high rents could result in a net-zero affordable housing fee. The replacement-cost nexus provides a more predictable, transparent, and administratively efficient method for calculating fees and aligns the fee with the City's cost of replacing lost affordable units.

ALTERNATIVE ACTIONS CONSIDERED

Council may choose to retain the current 2010 cut-off for the ownership reduction. This may limit TIC conversions.

Council may choose to retain the current affordable housing fee formula. This option would maintain the existing framework but would leave the fee more susceptible to market-driven forces and potential loopholes to avoid the required affordable housing fee. It may not have a significant impact in the near-future as the fee is highly influenced by current high interest rates.

CONTACT PERSON

Mike Uberti, Senior Community Development Project Coordinator, HHCS, (510) 981-5114

Attachments:

- 1: Ordinance
- 2: Affordable Housing Fee Formula Comparison
- 3: Strategic Economics, Condominium Conversion Fee Analysis and Recommendations

Internal

ORDINANCE NO. -N.S.

CONDOMINIUMS AND OTHER COMMON INTEREST SUBDIVISIONS

BE IT ORDAINED by the Council of the City of Berkeley as follows:

Section 1. That Berkeley Municipal Code Section 21.28.020 is amended to read as follows:

21.28.020 Purpose and findings.

A. The City Council finds and declares as follows:

1. There is a need to protect tenants from evictions deriving from incentives to convert rental housing stock, including tenancies in common with rentals, to condominiums.
2. There should be a reasonable balance in the availability of rental and ownership housing in the City, and opportunities for individual choice in the tenure, type, cost and location of housing.
3. The City of Berkeley encourages intentional community formation integrated with home ownership opportunities and forms that reduce personal financial and legal risk.
4. The City of Berkeley discourages tenancies in common (TICs) as a less desirable form of home ownership because this form of ownership may be less separable while carrying greater financial and legal risks, despite initial costs appearing more affordable than condominiums, community apartments and stock cooperatives.
5. The City of Berkeley should provide a transparent process to facilitate conversion of rental and TIC units to condominiums, community apartments and stock cooperatives.
6. The conversion of rental units to condominium ownership reduces the stock of affordable rental units in Berkeley.
7. To mitigate loss of affordable rental housing resulting from conversion, the City of Berkeley will apply an affordable housing fee whose revenues accrue directly to

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the City's Housing Trust Fund Program to construct, rehabilitate, or acquire permanently affordable rental housing in Berkeley, and to operate the program.

B. This chapter is intended to implement the following policies, and shall be interpreted in the manner that best serves these policies:

1. To take actions to protect tenants from large rent increases, arbitrary evictions, hardship from relocation, and the loss of their homes (Housing Element Policy H-3).
2. To preserve existing rental housing by limiting through regulation the subdivision of land for the purpose of converting rental properties to condominiums (Housing Element Policy H-7).
3. To prevent blight and deterioration of housing units resulting from deferred maintenance (Housing Element Policy H-11).
4. To encourage eviction prevention and fair and accessible housing (Housing Element Policy H-32).

C. The City makes the following findings related to the affordable housing mitigation fee imposed by this chapter:

1. A housing shortage exists which is inconsistent with the purposes of this chapter, and with the adopted goals and policies of the City as set forth in the Housing Element of the City's General Plan.
2. Conversions permitted by this chapter will diminish the supply of rental housing affordable to low-income households, thereby creating undue hardships for low-income residents displaced by conversion, and will otherwise adversely affect the availability and cost of housing affordable to low-income households throughout the City.
3. An affordable housing fee imposed on conversions of existing residential rental units into condominiums (as defined in Section [1350](#) of the Civil Code and Sections [11004](#) and [11003.2](#) of the Business and Professions Code, respectively) will be used to mitigate reduction of the rental housing supply by funding preservation and development of permanently affordable housing for low-income households in Berkeley.

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4. The affordable housing fee is reasonably related to the City's cost to mitigate the impacts of condominium conversions on the availability of affordable rental housing. The fee is calculated based on the estimated cost to replace a converted rental unit with a newly produced unit of equivalent affordability, determined by reference to current affordable housing development costs and the financing gap required to produce income-restricted rental housing at the applicable affordability level. The City Council finds that the fee methodology and underlying cost estimates set forth in the most recent nexus or economic feasibility study accepted by the City Council are reasonable. The City Manager is authorized to update the fee schedule and underlying assumptions periodically to reflect current development costs, financing conditions, and affordability standards.

5. The City Council would not permit conversion of rental property to condominiums or cooperatives, but for the provision that the adverse effects of such conversions on low-income households will be mitigated by the affordable housing fee described herein.

D. The City Manager shall provide an annual report to the City Council no later than November of each year, which includes an assessment of the condominium conversion program, including, but not limited to, the number of condominium conversion applications received, the number of condominium conversions approved, the number and type of converted units sold, the amount and type of affordable housing fees received, and any recommendations for changes to this chapter. (Ord. 7070-NS § 1, 2009; Ord. 7025-NS § 1, 2008)

Section 2. That Berkeley Municipal Code Section 21.28.030 is amended to read as follows:

21.28.030 Definitions.

As used in this chapter:

A. "Date of conversion" or "conversion date" means the date of final action by the City approving a parcel map or final subdivision map.

B. "Development Cost" means the estimated per-unit cost to produce a new income-restricted rental housing unit of equivalent size to the converted unit, expressed on a per-square-foot basis and applied to the unit's floor area, as periodically established by the City.

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- C. “Elderly tenant” means a tenant who is sixty years of age or older.
- D. “Exclusive right to purchase” or “ERP” means the right of a resident tenant at the date of conversion to purchase the unit that they occupy, as set forth in the “Notice of Tenants’ Rights” required pursuant to Section [21.28.060](#). The period of the ERP begins on the date written notice is given to the resident tenant that the unit will be made available for purchase to persons other than the resident tenant, and lasts for one year except as set forth in Section [21.28.090.C.2](#).
- E. “Limited equity housing cooperative” means a corporation that meets the criteria of Business and Professions Code Section [11003.2](#) and which also meets the criteria of Health and Safety Code Section [33007.5](#).
- F. “Owner-occupant” means an individual who utilizes the unit they own as their principal place of residence. An occupant will only be considered an owner-occupant if the share of the building that they own is within 10% of the pro rata appraised value of the unit in which they reside at the time of the conversion.
- G. “Operating Cost per square foot” means the annual cost to operate a unit, including maintenance, property management, insurance, and utilities, as periodically established by the City.
- H. “Price index” means the index for all urban consumers, San Francisco Bay Area Average, as published by the United States Bureau of Labor Statistics, or, in the event such index is discontinued, any comparable index.
- I. “Resident tenant” means a tenant residing in the unit and paying rent for the accommodations as their principal place of residence on the date of conversion or at the time of sale of the first unit on the property.
- J. “Transfer” means any conveyance, sale, assignment, gift, or transfer of any ownership interest, whether whole or partial, in a unit that results in a new owner of record, including the addition of one or more owners to title, and that triggers an obligation to pay an affordable housing fee under this chapter. “Transfer” shall not include reconveyance of a unit from tenancy in common who occupies that unit. Subsequent conveyance by that individual member shall constitute a transfer that triggers the obligation to pay the affordable housing fee.

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K. "Unit" means any residential dwelling unit or apartment unit containing its own bathroom and kitchen facilities and used primarily for residential accommodations and joint living and working quarters that can serve as a permanent residence. For purposes of this chapter dormitories, fraternity and sorority houses, boarding houses, and residential hotels, and other forms of transient lodging shall not be considered residential units and shall not be subject to this chapter. (Ord. 7316-NS § 1, 2013; Ord. 7070-NS § 2, 2009; Ord. 7025-NS § 1, 2008)

Section 3. That Berkeley Municipal Code Section 21.28.060 is amended to read as follows:

21.28.060 Application for condominium conversion.

In addition to the information required by Section [21.16.020](#), an application for a tentative map or parcel map to convert to condominiums shall include all of the following information:

- A. A determination pursuant to Section [21.28.050](#) as to the whether the building complies with applicable local laws and the remedial actions that must be taken to bring it into compliance.
- B. A detailed rental history of each unit within the building that is to be converted, under penalty of perjury, that includes the name and current contact information (if known) of each tenant who has resided there within the 5 years immediately prior to the date of the application.
- C. A statement under penalty of perjury that:
 - 1. Within the 10 years immediately prior to the date of the application:
 - (a) No owner of the building has filed with the City of Berkeley a statement of intent to go out of the rental business; or
 - (b) No owner has initiated proceedings to recover possession of any unit at the property pursuant to Section [13.76.130](#).A.8 or 9 of this Code;
 - 2. Within the five years immediately prior to the date of the application no owner has initiated proceedings to recover possession of any unit at the property pursuant to Section [13.76.130](#).A.8 or 9 of this Code, if such proceedings were initiated prior to October 27, 2005;

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3. Five years immediately prior to the date of the application no vacancy has been created by the termination of a tenancy:

(a) Within one year after the service by the owner of a termination of tenancy notice pursuant to either Civil Code Section [1946](#) or Civil Code Section [1946.1](#);

(b) Within one year after a change in the terms of the tenancy noticed pursuant to Civil Code Section [827](#), including the owner's termination or nonrenewal of a contract or recorded agreement with a governmental agency that provides for a rent limitation to a qualified tenant;

(c) By the tenant being constructively evicted because the unit had been cited in an inspection report as containing serious health, safety, fire, or building code violations that were not caused by the tenant beyond normal wear and tear and one or more of the violations had not been abated by the date of the termination;

(d) By the tenant household vacating the property and subsequently bringing an action for constructive or wrongful eviction that is pending at the time the application to convert is filed, or that resulted in a judgment for the plaintiff;

(e) As the result of a rent increase greater than 10% of the prior rent in effect, but for which the tenant would not have vacated the unit, unless that rent increase was approved by the Rent Stabilization Board.

D. A statement from the owner(s) as to whether they agree to limit future rent increases for the life of the building for all occupants at the time of conversion to no more than 65% of the increase in the Consumer Price Index for all Bay Area Consumers after conversion.

E. An agreement by the owner(s) that, at the time of sale of each unit, an affordable housing fee as calculated pursuant to Section 21.28.070 will be paid to the City.

F. An agreement by the owner(s) that the owner(s) will not opt out of any contract or recorded agreement with a governmental agency that provides for a rent subsidy to any qualified tenant, except for cause as defined in [24 CFR 982.310](#) (except (d)(iii) and (d)(iv) thereof), from the date of the application until at least 2 years after the date the application is approved, unless the program under which the subsidy is provided terminates.

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G.

1. Proof of service of a Notice of Tenants' Rights Regarding Condominium Conversion, on the form required by the City, on each tenant household at the property, no earlier than 60 days prior to the date of the application. The Notice shall include, but not be limited to, the tenant's right to a life lease pursuant to Section [21.28.090.C.4](#), information concerning any agreement by the owner to limit rents under Section [21.28.080.B](#), and the tenant's exclusive right to purchase the unit under Section [21.28.090.C.2](#).

2. Signed copies from each tenant of a Notice of Intent to Convert or evidence that a certified letter of notification was sent to each tenant for whom a signed copy of said notice is not submitted.

H. Applicants shall submit the documents identified in subsection G of this section for each new tenant that occupies a unit prior to conversion.

I. Proof that a conspicuous notice has been posted on the property in a location that is readily visible from the street on which the structure has its major frontage. Such notice shall be in a form specified by the Zoning Officer.

J. Applications to convert shall be processed as set forth in Chapter [21.16](#), [21.18](#) or [21.24](#), as applicable.

K. Any application that includes a false statement under penalty of perjury may be denied upon discovery of such false statement. (Ord. 7070-NS § 4, 2009; Ord. 7025-NS § 1, 2008)

Section 4. That Berkeley Municipal Code Section 21.28.070 is amended to read as follows:

21.28.070 Affordable housing fee.

A. Except as provided in Section [21.28.080](#), any conversion of other types of housing units to condominium units pursuant to this chapter shall be subject to the payment of an affordable housing fee, unless otherwise exempted. The purpose of the fee is to mitigate the loss of affordability that results from the conversion of rental units to condominium units. The nexus-based fee shall be calculated by establishing a unit's Development Cost and subtracting its Supportable Debt, as follows:

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1. Development Cost. The Development Cost shall be calculated as the total building square footage multiplied by the Development Cost per square foot.
 2. Supportable Debt. The Supportable Debt represents the maximum loan amount that may be supported by the unit's net operating income.
 - a. Net Operating Income shall be calculated as the unit's monthly rent at the time of filing an application for conversion under this chapter multiplied by twelve, minus annual operating costs per square foot.
 - b. If the unit is owner-occupied or has not been rented within the previous 12 months, the rental costs shall be set to median rental rate established by the Berkeley Rent Board's most recent annual rent survey.
 - c. Maximum annual debt service shall be calculated by dividing Net Operating Income by a debt service coverage ratio as determined by the City.
 - d. Supportable debt shall be calculated as the present value of the maximum annual debt service over a 30-year term using an annual interest rate equal to the current 10-year U.S. Treasury rate plus 2.50%.
- B. The City Manager may establish and periodically update a schedule of fees by income affordability level, calculated in accordance with this formula, which shall be used in lieu of a unit-specific calculation when the unit's current rent falls within a defined income bracket.
- C. All of the sums collected pursuant to this chapter shall be apportioned as follows:
1. Not more than 10% of revenues shall be used for Housing Trust Fund program delivery.
 2. Not more than 10% of revenues shall be used for Housing Trust Fund program and project monitoring and enforcement.
 3. Not less than 80% of revenues shall be placed into the City of Berkeley Housing Trust Fund to finance activities described as eligible in the City of Berkeley Housing Trust Fund Program Guidelines.
- D. A fee agreement, in a form specified by the City, indicating the formula by which the affordable housing fee shall be calculated and which implements the requirements of

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this chapter shall be executed and recorded with the County Recorder on the date of conversion. Such agreement shall be supplemented by a promissory note and deed of trust in favor of the City in an amount equal to the estimated affordable housing fee for each converting unit. The City shall agree to subordinate the deed of trust for purposes of refinancing property as long as doing so will not in its reasonable judgment impair the adequacy of its security. Upon full payment to the City of the fee for any unit(s) or for the entire property, the City shall record a release of the promissory note and deed of trust with the County Recorder, against any unit(s) for which the fee was paid. (Ord. 7070-NS § 5, 2009; Ord. 7025-NS § 1, 2008)

Section 5. That Berkeley Municipal Code Section 21.28.080 is amended to read as follows:

21.28.080 Affordable housing fee -- Exemptions – Reductions

A. Existing inclusionary units created pursuant to Chapter 23C.12 or Chapter 23.328 shall be exempt from any affordable housing fee.

B. *Rent Limitation Fee Reduction.* The affordable housing fee shall be reduced as set forth in this chapter if the owner converting the property has agreed as part of the application to limit future rent increases for the life of the property for any resident tenants at the time of conversion to no more than 65% of the increase in the Consumer Price Index for all Bay Area Consumers.

1. If the property contains two units, the affordable housing fee for each unit shall be capped at 4 percent of the sales price of the unit.

2. If the property contains three or more units, the affordable housing fee for each unit shall be capped at 8 percent of the sales price of the unit.

C. If the property contains three or more units, the affordable housing fee for a unit that is occupied by an owner as their principal place of residence for at least 5 consecutive years immediately prior to the date of sale, including as a tenant in that unit immediately prior to ownership, shall be reduced by 50 percent.

D. In addition to any other fee reductions under this section, the affordable housing fee for a unit shall be reduced by 25 percent when it is paid no later than the date of conversion. In such cases, the sale price of the unit shall be deemed to be the

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appraised value as determined by a Certified Residential Appraiser licensed by the California Office of Real Estate Appraisers.

Section 6. That Berkeley Municipal Code Section 21.28.090 is amended to read as follows:

21.28.090 Approval of subdivisions -- Findings -- Conditions to be imposed.

A. The Planning Commission or City Manager or their designee shall not approve an application to convert to condominiums unless the Commission or City Manager or their designee finds that all the provisions of this chapter are met.

B. An application to convert to condominiums shall be denied if:

1. Within the immediately preceding 10 years:

(a) Any owner of the building has filed with the City of Berkeley a statement of intent to go out of the rental business; or

(b) Any owner has initiated proceedings to recover possession of any unit at the property pursuant to Section [13.76.130](#).A.8 or 9 of this Code;

2. Within the immediately preceding 5 years any owner has initiated proceedings to recover possession of any unit at the property pursuant to Section [13.76.130](#).A.8 or 9 of this Code, if such proceedings were initiated prior to October 27, 2005;

3. Within the immediately preceding 5 years a vacancy has been created by the termination of a tenancy:

(a) Within one year after the service by the owner of a termination of tenancy notice pursuant to either Civil Code Section [1946](#) or Civil Code Section [1946.1](#); or

(b) Within one year after a change in the terms of the tenancy noticed pursuant to Civil Code Section [827](#), including the owner's termination or nonrenewal of a contract or recorded agreement with a governmental agency that provides for a rent limitation to a qualified tenant; or

(c) By the tenant being constructively evicted because the unit had been cited in an inspection report as containing serious health, safety, fire, or building code violations that were not caused by the tenant beyond normal wear and tear and

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one or more of the violations had not been abated by the date of the termination; or

(d) By the tenant household vacating the property and subsequently bringing an action for constructive or wrongful eviction that is pending at the time the application to convert is filed, or that resulted in a judgment for the plaintiff; or

(e) As the result of a rent increase greater than 10% of the prior rent in effect but for which the tenant would not have vacated the unit, unless that rent increase was approved by the Rent Stabilization Board.

C. The Planning Commission or City Manager or their designee shall impose the following conditions on any application to convert rental units:

1. The owner shall complete all the remedial actions and provide all the disclosures set forth in the determination as to whether the building complies with applicable local laws that was submitted with application.

2. The owner shall notify each resident tenant in writing when the ERP period starts for the unit they occupy by serving a copy of an ERP on each tenant. The owner shall provide a copy of this notice with proof of service on all tenants and to the City at the same time. No ERP period may start to run prior to the City's approval of a final or parcel map for the property, regardless of when an ERP is provided to a tenant. The ERP shall include but not be limited to a good faith sale price and terms of sale for the unit occupied by the resident tenant, which may include an inflation/deflation factor. The ERP shall also state that the resident tenant may voluntarily waive the ERP in writing at any time during the ERP period, and that the tenant may wish to consult with the Berkeley Rent Stabilization Board before choosing to waive this right, and shall provide contact information to the Berkeley Rent Stabilization Board. No waiver of a resident tenant's ERP is valid unless executed after the tenant's receipt of the notice of ERP from the owner. An ERP may not be waived within 30 days after it is received, and any such waiver during that period shall be invalid, except that a tenant may waive an ERP at any time by voluntarily vacating their unit.

3. The owner shall satisfy the affordable housing fee requirements by paying the affordable housing fee as calculated pursuant to Section 21.28.070, or having recorded documents in a form required by the City, indicating the indebtedness to

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the City and a willingness to pay at time of transfer as defined therein. For purposes of this chapter, reconveyance of a unit from tenancy in common ownership to the individual member of the tenancy in common who occupies that unit shall not be a transfer that triggers an obligation to pay any affordable housing fee required by this chapter. Subsequent conveyance by the individual member of the tenancy in common shall trigger the obligation to pay an affordable housing fee required by this chapter.

4. No tenant may be evicted for the purpose of occupancy by the owner, or occupancy by any relative of the owner, so long as the unit remains the tenant's principal place of residence. In the event the tenant does not exercise their right to purchase within the time period set forth in this section, the owner may transfer the unit without any price restriction to the tenant or any other person. However, in the event such transfer is to someone other than the tenant, the transfer shall be expressly made subject to the rights of the tenant to continue to occupy the unit as provided for in this chapter.

5. The owner may not opt out of any contract or recorded agreement with a governmental agency that provides for a rent subsidy to any qualified tenant for 2 years from the date the application is approved, except for cause as defined in [24 CFR 982.310](#) (except (d)(iii) and (d)(iv) thereof), unless the program under which the subsidy is provided terminates.

6. Where improvements are required as conditions of approval of the tentative map or parcel map or by City ordinance, any required improvement plan submitted pursuant to Chapter [21.44](#) shall include an analysis of potential harmful impacts on tenants of the repair and alteration process due to noise, blocked access, temporary displacement, increased rents, or other harms, and a plan for mitigation of harmful impacts.

7. Where the owner proposes or intends to make improvements other than pursuant to the foregoing paragraph, the owner shall submit to the Planning Commission an analysis of potential harmful impacts on tenants of the repair and alteration process due to noise, blocked access, temporary displacement, increased rents, or other harms, and a plan for mitigation of harmful impacts.

8. The owner shall provide all prospective buyers with a report on the seismic safety of the property.

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D. In addition to the foregoing, the Planning Commission or City Manager or their designee shall not permit a map to issue as to the conversion of rental units in a property with inclusionary units unless the inclusionary provisions for sale properties are applied to the inclusionary rental units. Where the property received a density bonus or other public subsidy in return for providing below-market-rate units, the below-market-rate for-sale units shall meet the level of affordability required of the units in order to qualify for the density bonus or other subsidy. (Ord. 7070-NS § 7, 2009; Ord. 7025-NS § 1, 2008)

Section 7. Copies of this Ordinance shall be posted for two days prior to adoption in the display case located near the walkway in front of the Maudelle Shirek Building, 2134 Martin Luther King Jr. Way. Within 15 days of adoption, copies of this Ordinance shall be filed at each branch of the Berkeley Public Library and the title shall be published in a newspaper of general circulation.

Attachment 2. Affordable Housing Mitigation Fee Examples

This attachment provides an overview of each fee formula covered in the report for the same unit. The affordable housing mitigation fee is calculated per unit for each unit if a conversion.

Assumptions

- Unit Type: One-bedroom
- Unit Size: 625 sq ft
- Rent (Monthly): \$2,263
- Development cost (per square foot): \$700
- Operating cost (per square foot): \$14
- Interest Rate: 6.5%
- Loan Term: 30 years
- Debt Service Coverage Ratio (DSCR): 1.15
- HOA (Monthly): \$300
- Sales Price: \$550,000

Current Nexus Formula (Existing Ordinance)

Step 1: Calculate Annual Ownership Cost

Annual Ownership Cost =
((Mortgage Payment + Taxes + HOA) * 12)

$(\$3,303 + \$649 + \$300) * 12 = \$51,016$

Step 2: Calculate Annual Rental Cost

= Monthly Rent * 12
= $\$2,263 * 12 = \$27,156$

Step 3: Calculate Nexus Fee

= (Ownership Cost – Rent) / Interest Rate
= $(\$51,016 - \$27,156) / 6.5\%$
= $\$367,076$

Proposed Nexus Formula (Replacement Cost Method)

Step 1: Development Cost & Operating Cost

= Unit Size * Development Cost per Sq Ft

= 625 sq ft * \$700 = \$437,500

= Unit Size * Operating Costs per Sq Ft

= 625 sq ft * \$14 = \$8,750

Step 2: Net Operating Income (NOI)

= (Monthly Rent * 12) – Operating Costs

= (\$2,263 * 12) – \$8,750

= \$18,406

Step 3: Annual Debt Service

= NOI / DSCR

= \$18,406 / 1.15 = \$16,005

Step 4: Supportable Debt

= Present Value (Interest Rate, 30, Annual Debt Service)

= PV(0.065, 30, \$16,005)

= \$209,007

Step 5: Nexus Fee

= Development Cost – Supportable Debt

= \$437,500 – \$209,007

= \$228,493

Rental Limitation Alternative

8% of Sales Price (3+ Unit Properties)

= Sales Price * 8%

= \$550,000 * 0.08

= \$44,000

Summary Comparison

Method	Fee (Example)	Key Driver
Current Nexus	\$367,076	Sensitive to interest rates & rent gap
Proposed Nexus	\$228,493	Based on cost to build affordable housing
Rental Limitation	\$44,000	% of sales price

Proposed Affordability Gap Nexus Fee Schedule: One Bedroom Units

Income Bracket	Max Rent	Proposed Fee
Extremely Low-Income (30% AMI)	\$960	\$406,046
Very Low-Income (50% AMI)	\$1,599	\$319,007
Low-Income (80% AMI)	\$2,501	\$196,028
Moderate Income (100% AMI)	\$3,196	\$101,324
Market	Calculated as needed.	Calculated as needed.

Owner-occupants or vacant units will use the City’s median rents as established by the Rent Board’s Annual Rent Report. This is \$2,280 for 2025, or the equivalent of a Low-Income unit.



MEMORANDUM

To: Mike Uberti, City of Berkeley
From: Derek Braun, Principal
Jake Cummings, Senior Associate
Date: September 17, 2025
Subject: Condominium Conversion Fee Analysis and Recommendations

Background and Purpose

This memo contains an economic feasibility analysis of the City of Berkeley’s policies for condominium conversions, with a particular focus on the City’s Affordable Housing Mitigation Fee (AHMF) program for condominium conversions. Since 1992, property owners seeking to convert multifamily rental housing to condominium units in Berkeley must meet special requirements to mitigate the impact of these conversions on overall housing affordability in the city. Berkeley’s rental housing tends to be significantly more affordable than its ownership housing, particularly for the majority of rental units covered by the City’s Rent Stabilization and Eviction for Good Cause Ordinance (rent control). Condominium conversions of any rent-controlled or other “naturally occurring” affordable rental units represent a permanent loss of affordability because new market rate construction of rental apartments is typically priced at a premium and, per state law, is not subject to rent control. As a result, Berkeley imposes mitigation fees and other tenant protection measures on condominium conversions to offset the substantial public cost of replacing older rent-controlled or naturally occurring affordable units with rent-restricted new development.

The key provisions of Berkeley’s condominium conversion ordinance include:

- Limiting the number of conversions to 100 annually¹;
- An Exclusive Right to Purchase (ERP) the converted unit for incumbent tenants; and
- Payment of an Affordable Housing Mitigation Fee (two options, described in the next section).

This memo contains a review of the condominium conversion policy and an economic analysis of the fee program, followed by policy recommendations. The recommendations were crafted to address the following objectives communicated by staff:

- The policy should minimize the displacement of tenant households with modest incomes;
- The policy should minimize the loss of rent-controlled and naturally-affordable housing units;

¹ When the number of conversions in a year falls below 100, the remainder carries over to the next year up to a maximum of 200 conversions per year.

- In cases where rental units are lost to a conversion, the policy should encourage tenant ownership of the unit to prevent displacement or else collect a fee commensurate with the loss in affordability caused by the conversion.

In addition to the above policy goals, City staff would like to:

- Reduce the administrative burden, lack of consistency, and opportunities for abuse experienced with one of the AHMF options (the “nexus-based option,” described in the next section);
- Understand how its policy compares to similar policies in other Bay Area cities and any best practices.

The first and second sections below contain a review of the recent history of the City’s condominium conversions and associated AHMF revenues, followed by a review of peer cities’ condominium conversion policies. Next, Strategic Economics analyzed the feasibility of the City’s affordable housing mitigation fee options on a typical condominium conversion and further tested a proposed modification to the fee formula. The final part of the memo provides recommendations for modifying the fee program to better align with staff directives.

Review of Condominium Conversion Ordinances in Peer Cities

Strategic Economics reviewed condominium conversion policies in Bay Area cities for which information was available, as well as major jurisdictions in Southern California. Figure 1, below, highlights some representative policies to illustrate the variety of key provisions in the policies reviewed. The key provisions are discussed below:

Affordable Housing Mitigation Fee. Of the cities reviewed, only East Palo Alto requires a mitigation fee for condominium conversions. Similar to Berkeley’s nexus-based fee, East Palo Alto’s mitigation fee is based on the difference in affordability between the current rent on the unit and the total cost of ownership as a market rate condominium. Further, East Palo Alto also offers a significant fee reduction if a lifetime lease is granted to the incumbent tenant.

Subject to Inclusionary Zoning. While it is unusual to charge an affordable housing fee specific to condominium conversions in California, jurisdictions with an inclusionary zoning requirement for condominium development typically apply the same requirement to condominium conversions. This approach is taken by San Jose, Walnut Creek, and many other jurisdictions in the Bay Area and in southern California. Under inclusionary zoning, a percentage of the units in the converted development must be offered for sale at below market rates as would any new build development.

Tenant relocation assistance. In California, a standard measure to assist tenants suffering a no-fault eviction is to require a relocation payment from the landlord. Of the cities surveyed, tenants evicted by a condominium conversion typically were entitled to this type of assistance.

Exclusive right to purchase. Most jurisdictions offer an exclusive right to purchase to the incumbent tenant. In East Palo Alto, some income-qualified tenants are entitled to purchase the converted unit at a below market price.

Lifetime Lease or Extended Lease. East Palo Alto has a similar provision to Berkeley’s AHMF cap, which offers a reduction in the mitigation fee if the incumbent tenant is offered a lifetime lease at their current rent and strict limits on annual rent increases. In addition, various classes of vulnerable

tenants in East Palo Alto are entitled to such a lease or an extended lease for a set number of years. In San Francisco, a lifetime lease entitlement was enacted for nearly all incumbent tenants in condominium conversions, but, in 2017, this provision was challenged in court. This legal challenge has had the practical effect of suspending all condominium conversions in the city, except for certain cases that are exempt from the lifetime lease requirement.

FIGURE 1: SUMMARY OF KEY PROVISIONS IN SELECTED CONDOMINIUM CONVERSION ORDINANCES IN THE SAN FRANCISCO BAY AREA

Jurisdiction	Affordable Housing Mitigation Fee	Subject to Inclusionary Zoning	Tenant Protections		
			Tenant Relocation Assistance	Exclusive Right to Purchase	Lifetime Lease or Extended Lease Provisions
Berkeley	■	-	■	■	Reduction in the mitigation fee if the tenant is granted a lifetime lease.
San Francisco	-	-	■	■	A lifetime lease must be offered for any tenant. ^[a]
Oakland	-	-	■	■	A lifetime lease must be offered to seniors and the disabled.
East Palo Alto	■	-	■	■ ^[b]	Reduction in the mitigation fee if the tenant is granted a lifetime lease. A lifetime lease must be offered to the terminally ill; other classes of vulnerable tenants have a right to an extended lease term.
San Jose	-	■	■	-	-
Walnut Creek	-	■	■	■	-

[a] Following a legal challenge to the lifetime lease provision, San Francisco no longer accepts applications for condominium conversions except those from the small number of applicants that are exempt from this provision.

[b] Income-qualified tenants have a right to purchase at an affordable price as determined by the City.

Sources: Municipal codes for the respective jurisdictions, 2024; Strategic Economics, 2024.

Review of Berkeley’s Current Policy Results

As introduced in the previous section, the City of Berkeley enforces a cap on annual condominium conversions citywide and requires condominium conversion applicants to offer an Exclusive Right to Purchase for the incumbent tenant. In addition, condominium conversions are subject to one of two options to pay the Affordable Housing Mitigation Fee:

Nexus-based AHMF Option. This fee is based on a formula that assigns an economic value to the loss in affordability resulting from the unit’s conversion from a rental unit to a condominium unit. The rental unit’s annual rent costs are compared with the annual costs of owning the converted condominium, including mortgage principal, interest, taxes, insurance, and homeowners

association dues. The annual cost of ownership is then converted to a one-time value by dividing by a typical market mortgage interest rate. The result is the fee amount charged for that unit.

AHMF Cap Option (“8%/4% Option”). With this option, a reduced fee is charged to the applicant if the incumbent tenant is granted a lifetime lease at the existing rental rate with limited annual cost of living increases similar to rent control. The reduced fee is calculated as eight percent of the market value of the condominium for properties of 3+ units. For duplexes, this fee is four percent of the condominium’s market value.

There are certain opportunities for the condominium conversion applicant to receive a reduction in the AHMF. The most common of these allowances is a 25 percent reduction in the fee if paid by the date of conversion rather than the date of sale. In such cases, the condominium market value needed to calculate the AHMF is based on an appraisal rather than the sale price of the condominium.

Strategic Economics reviewed the City’s records of condominium conversions, and their associated AHMF, from 2017 to late 2024. The results of this review are summarized below.

Of the sixty-four condominium conversions that paid the AHMF over the past ten years, most were in older, modest multifamily developments of two to four units. The average value of one-bedroom conversions was \$534,000 and the average for two-bedroom units was \$663,000, with most units paying an AHMF between \$20,000 and \$40,000 (see Figure 2). Adjusted for annual changes in local housing values, one-bedroom units averaged approximately \$550,000 and two-bedrooms averaged approximately \$750,000. These values are significantly below those of new build construction condominiums in Berkeley, which recently were estimated to have an average market value of \$950,000 per unit in the Affordable Housing In-lieu Fee study.

Most of the condominium conversions chose the fee cap option and paid eight percent of the market value of the condominium or less. As shown in Figure 3, 84 percent of the conversions opted for the fee cap option, paying eight percent of the condominium value, minus any applicable fee reductions, or four percent of the value for duplexes minus applicable reductions. Another nine percent paid the nexus-based fee option, which resulted in a fee between 10 and 13 percent of the condominium value, after accounting for applicable reductions. Although the fee cap option comes with anti-displacement commitments to the incumbent tenant, this option may be more feasible for applicants in many circumstances. For example, the applicant could have knowledge about the expected length of the tenancy or could have longer-term objectives for the property that would accommodate a lifetime lease.

More than half of the applicants took advantage of the fee reduction for upfront payment. Thirty-four of the 64 conversions paid the AHMF upfront at the time of conversion in exchange for a discount of 25 percent.

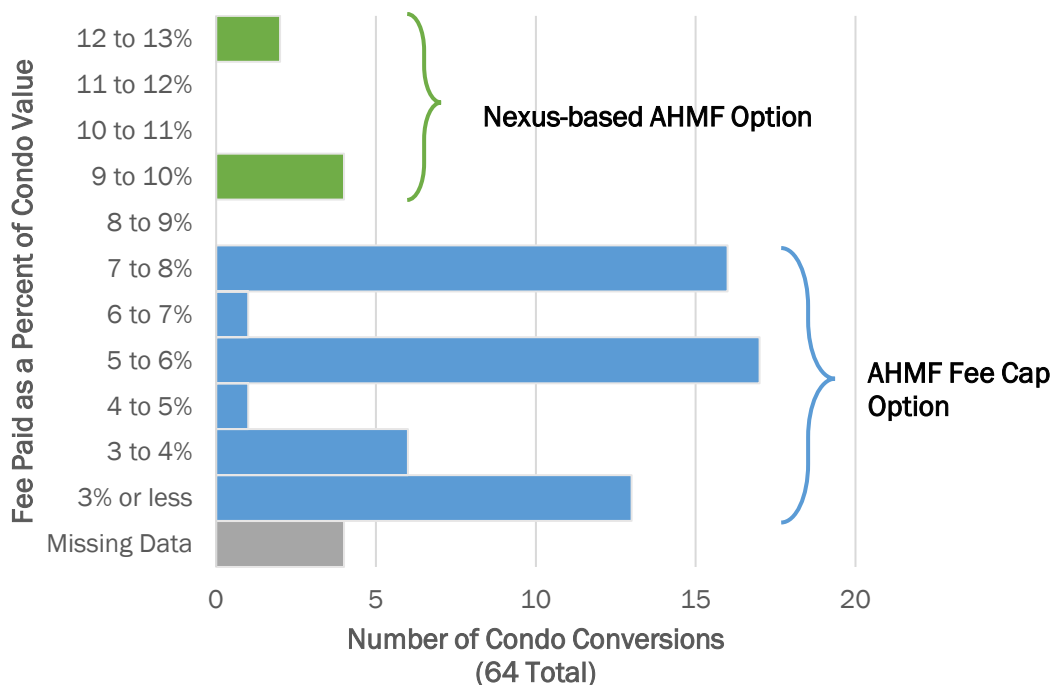
FIGURE 2: CONDOMINIUM CONVERSIONS, AVERAGE MARKET VALUE, AND AVERAGE AFFORDABLE HOUSING MITIGATION FEE, BY UNIT TYPE, 2017 TO 2024

Unit Type	Number of Conversions	Avg Condo Value	Avg AHMF Payment	Avg Condo Value (2023 Dollars) [a]
1-BR	21	\$534,214	\$35,240	\$551,575
2-BR	10	\$662,778	\$32,780	\$748,528
3-BR	3	\$750,000	\$23,800	\$928,049
Not Reported	30	\$694,571	\$36,447	\$778,967
Total	64	\$635,525	\$34,885	\$699,784

[a] Condominium values adjusted to 2023 dollars using the Zillow Home Value Index for Berkeley.

Sources: City of Berkeley, 2024; Strategic Economics, 2024.

FIGURE 3: AHMF PAID AS A PERCENTAGE OF CONDOMINIUM MARKET VALUE, 2017 TO 2024



Note: Excludes condominium conversions exempt from the AHMF.

Source: City of Berkeley, 2024; Strategic Economics, 2024.

Analysis of Fee Alternatives

As a first step in recommending modifications to the AHMF program, Strategic Economics evaluated the economic feasibility of the existing fee options as well as a third proposed approach. The proposed approach, described later in this section, is designed to address City staff concerns about the existing nexus fee approach. Strategic Economics tested these fee options on hypothetical one-bedroom and two-bedroom housing unit prototypes, which are the most common unit types for condominium

conversions. The next section describes the assumptions for the unit prototypes, followed by an evaluation of the existing and proposed fee options.

CONDOMINIUM CONVERSION PROTOTYPES AND ASSUMPTIONS

The unit size, cost, and revenue assumptions for the one-bedroom and two-bedroom condominium conversion prototypes are shown in Figure 4. As described in the Current Policy Results section, condominium conversions typically occur in older buildings with between two and four units. One-bedroom units average approximately 625 square feet and two-bedrooms average 925 square feet. To evaluate whether a condominium conversion would be financially feasible for the owner of one of these properties, Strategic Economics evaluated a typical financial return by estimating the revenues and costs associated with a condominium conversion for each unit type. Figure 4 shows estimated project revenues, costs, and the resulting project return as a baseline before considering the AHMF. The remainder of this section outlines the approach to these assumptions.

REVENUES

Project revenues were estimated to be the market price of the converted unit, introduced in the previous section, minus agent commissions. Based on an analysis of recent conversions submitted by the City, the market value of a typical condominium conversion is approximately \$550,000 for a one-bedroom and \$725,000 for a two-bedroom unit (See Figure 17 in the Appendix).

Agent commissions were estimated at the industry standard of six percent of the sale price.

COSTS

The baseline cost of condominium conversions was assumed to be the total of acquisition costs, renovation costs needed to successfully market the unit, and any City fees other than the AHMF. The market value of older construction multifamily buildings between two and four units is approximately \$612 per square foot (set to \$625 per square foot for one-bedrooms and \$600 per square foot for two-bedrooms to reflect the slightly higher values per square foot for Berkeley one-bedroom apartments). Strategic Economics assumed another \$60 per square foot in renovation costs, reflecting a modest or targeted set of renovations rather than a full gut renovation that might be required for a premium offering. Finally, Strategic Economics estimated municipal fees (condominium conversion and subdivision fees) assuming a typical four-unit project. (The fee calculations are itemized in Figure 18 in the Appendix.)

PROJECT RETURN AND MAXIMUM FEASIBLE COST BURDEN

Strategic Economics calculated the expected project returns for each prototype. A typical one-bedroom unit would return \$83,000 (21 percent return on cost) while a two-bedroom would return \$65,000 (12 percent return on cost). The higher return on one-bedroom units is consistent with the recent history of condominium conversions, approximately two-thirds of which are one-bedroom units.

Strategic Economics established a benchmark for testing the feasibility of AHMF scenarios by calculating a maximum feasible cost burden. The maximum feasible cost burden is any additional project return, as calculated in Figure 5, above a minimum acceptable return that would be attractive enough for the property owner to pursue the condominium conversion. This amount represents the maximum amount of AHMF and other related costs the conversion project could bear before it becomes infeasible. To be consistent with pro forma assumptions in the Affordable Housing in-Lieu Fee study, Strategic Economics assumed a minimum acceptable return on cost of eight percent. This

assumption leaves a maximum feasible cost burden of 11 percent (equivalent to \$48,000) for one-bedrooms and three percent (equivalent to \$16,000) for two-bedrooms.

In the sections below, Strategic Economics estimated the cost burden of each AHMF option, comparing the result with the maximum feasible cost burden. Costs for the nexus-based fee options, which involve terminating the tenancy of the converted unit, include the cost of the fee itself as well as the City-required relocation assistance to be paid the evicted tenant. For the fee cap option, the cost includes the fee as well as the economic burden associated with delaying the sale of the converted unit until the eventual end of the lifetime lease.

FIGURE 4: CONDOMINIUM CONVERSION PRO FORMA BEFORE AFFORDABLE HOUSING MITIGATION FEE AND TENANT RELOCATION COSTS

Prototype					
	1-BR	2-BR	Source		
Prototype Unit Floor Area	625	925	Average of recent condominium conversion values in Berkeley, See Figure 17 in the Appendix		
Project Pro Forma					
	Total Amount		Per Square Foot		Source
	1-BR	2-BR	1-BR	2-BR	
Revenues:					
Market Sales Value	\$550,000	\$725,000	\$880	\$784	Average of recent condominium conversion values, 2023 Dollars. See Figure 17 in the Appendix
<u>Less Agent Commissions (6%)</u>	<u>-\$33,000</u>	<u>-\$43,500</u>	<u>-\$53</u>	<u>-\$47</u>	Standard percentage for agent commissions
Net Proceeds	\$517,000	\$681,500	\$827	\$737	
Costs:					
Acquisition	\$390,500	\$555,000	\$625	\$600	Avg of multifamily buildings of 2-4 units built before 1980, Redfin
Renovation	\$37,500	\$55,500	\$60	\$60	Low end cost of renovation estimate from Rocket Mortgage
<u>Condo Conv. and Subdiv. Fees</u>	<u>\$6,000</u>	<u>\$6,000</u>	<u>\$10</u>	<u>\$6</u>	See Figure 18 in the Appendix for fee calculations.
Total Costs	\$434,000	\$616,500	\$694	\$666	
Project Return:					
Revenue	\$517,000	\$681,500	\$827	\$737	
<u>Cost</u>	<u>\$434,000</u>	<u>\$616,500</u>	<u>\$694</u>	<u>\$666</u>	
Project Return	\$83,000	\$65,000	\$133	\$70	
Percent of Cost	21%	12%			
Percent of Market Value	15%	9%			

Sources: City of Berkeley, 2024; Redfin, 2024; Rocket Mortgage <https://www.rocketmortgage.com/learn/home-renovation-costs>, accessed 2024; Strategic Economics, 2024.

FIGURE 5: MAXIMUM FEASIBLE COST BURDEN OF AFFORDABLE HOUSING MITIGATION FEE AND TENANT RELOCATION COSTS

	1 Bedroom	2 Bedroom
Net Revenue Before AHMF and Other Requirements	\$83,000	\$65,000
<u>Minimum Net Revenue (8% ROC)</u>	<u>\$35,000</u>	<u>\$49,000</u>
Maximum Feasible Cost Burden	\$48,000	\$16,000
Percent of Project Costs	11%	3%
Percent of Condo Market Value	9%	2%

Source: Strategic Economics, 2024.

FEASIBILITY OF EXISTING NEXUS-BASED FEE

Strategic Economics modeled the existing nexus-based fee on the prototypes introduced in the previous section. The results of this analysis are summarized below. For detailed assumptions and calculations of the fee, see Figure 19 in the Appendix.

Strategic Economics analyzed the existing nexus-based fee formula on the one- and two-bedroom prototypes using current market assumptions. Because the nexus formula is based on the difference between the monthly rent the incumbent tenant pays and the cost of ownership of the converted unit, Strategic Economics tested three different scenarios for the pre-conversion rent assumption. The rent scenarios were set at levels affordable to:

- Very Low-Income households (earning 50 percent of area median income);
- Low-Income households (earning 80 percent of area median income); and
- Moderate-Income households (earning 100 percent of area median income).

The monthly cost of ownership for the prototypes, rent scenarios and resulting nexus fees are shown in Figure 6. Figure 7 shows the total cost burden of the fee, accounting for the required tenant relocation payments and 25 percent fee discount for early payment. The total cost burden is shown in relation to the maximum feasible cost burden estimated in the previous section.

FIGURE 6: EXISTING NEXUS-BASED FEE CALCULATION BY RENT LEVEL AND UNIT TYPE

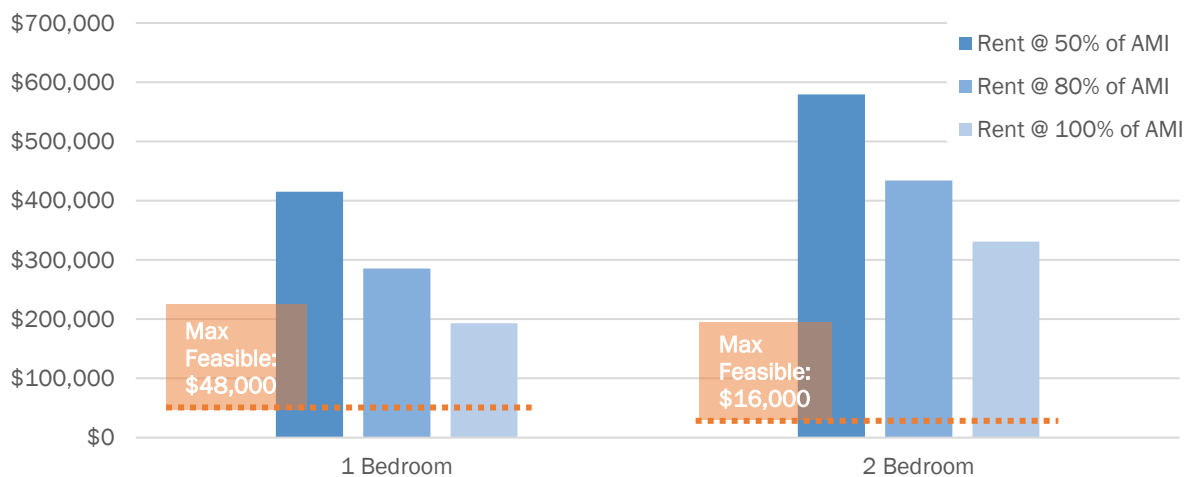
	1 Bedroom			2 Bedroom		
	<i>Condo Monthly Cost of Ownership:</i> \$4,148 <i>Assumed Household Size: 2</i>			<i>Condo Monthly Cost of Ownership:</i> \$5,476 <i>Assumed Household Size: 3</i>		
Rent Scenarios:	Monthly Rent ^[a]	Difference from Condo	Nexus Fee ^[b]	Monthly Rent ^[a]	Difference from Condo	Nexus Fee ^[b]
@ 50% of AMI	\$1,329	\$2,820	\$520,559	\$1,470	\$4,007	\$739,700
@ 80% of AMI	\$2,263	\$1,885	\$348,036	\$2,521	\$2,955	\$545,577
@ 100% of AMI	\$2,886	\$1,262	\$233,021	\$3,222	\$2,254	\$416,161

[a] Monthly rent assumes total housing costs equal to 30 percent of household income, including a utilities assumption of \$229 per month for one-bedrooms and \$283 for two-bedrooms.

[b] See Figure 20 in the Appendix for details on the calculation of the nexus fee.

Sources: City of Berkeley, 2024; U.S. Department of Housing and Urban Development, 2023; Strategic Economics, 2024.

FIGURE 7: TOTAL COST BURDEN OF EXISTING NEXUS-BASED FEE, BY RENT LEVEL AND UNIT TYPE



Note: Total Cost Burden is the calculated nexus fee reduced by 25 percent for early payment, plus tenant relocation costs of \$24,710 per household for rent levels at 50% and 80% of AMI, and \$18,533 per household for a rent level of 100% of AMI.

Source: City of Berkeley <https://rentboard.berkeleyca.gov/elected%20rent%20board/news/2024-adjustments-relocation-assistance-payments>, accessed September 25, 2024; Strategic Economics, 2024.

The existing nexus-based fee is financially infeasible for the conversion of any rental units that are currently affordable to households with modest incomes. As shown in Figure 6, the nexus-based fees ranged from approximately \$233,000 to \$740,000. When factoring in a 25 percent reduction in the fee for early payment and tenant relocation payments, the total cost burden of the existing fee remains far above the feasible cost burden for both one- and two-bedroom units and for all rent scenarios (Figure 7). Although higher incumbent rent levels result in lower fees, the nexus fee does not become feasible until these rents reach \$3,900 for a one-bedroom (133 percent of AMI). Conversion of the

two-bedroom prototype is infeasible in all circumstances because the required relocation payment by itself is nearly as high or higher than the maximum cost burden the project could bear.

FEASIBILITY OF THE FEE CAP OPTION

Strategic Economics analyzed the feasibility of the existing fee cap option the City offers as an alternative to the nexus-based fee. Currently, the fee cap option is set at eight percent of the unit value, reduced to four percent for conversions that include only two units. The fee amounts calculated for the one- and two-bedroom prototypes are shown in Figure 8. However, the lifetime lease requirement is likely to be the more significant economic burden for this option. The economic impacts of these two requirements are discussed separately below.

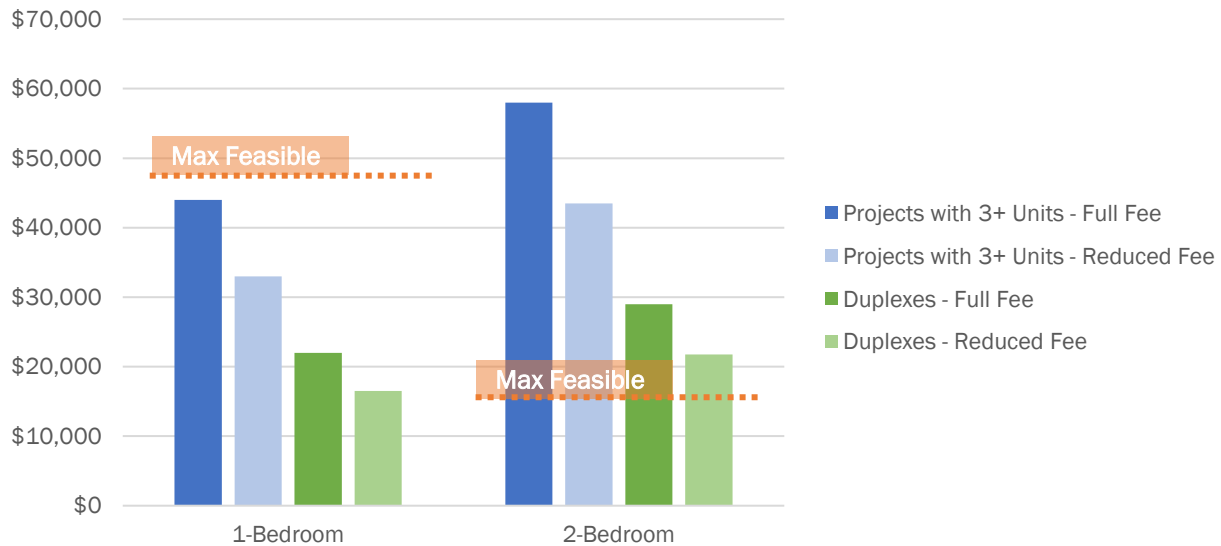
The fee cap option is feasible for the one-bedroom prototype in all scenarios tested but is infeasible for the two-bedroom prototype. As shown in Figure 9, the calculated fee for one-bedroom units ranges from \$16,500 to \$44,000 and falls below the maximum feasible cost burden of \$48,000 for both duplexes and larger projects, and for both the full and reduced fee amounts. The maximum feasible cost burden of \$16,000 for the two-bedroom prototype is lower than for the one-bedroom, and the fee amounts, which range from \$21,750 to \$58,000, exceed this feasible limit. Considering these results, a conversion project containing a mix of one- and two-bedroom units may be feasible depending on the specifics of the project.

FIGURE 8: CALCULATION OF THE FEE CAP OPTION BY UNIT TYPE, BUILDING SIZE, AND WITH AND WITHOUT THE FEE REDUCTION FOR EARLY PAYMENT

	1-Bedroom	2-Bedroom
Market Value	\$550,000	\$725,000
Maximum Feasible Cost Burden	\$48,000	\$16,000
Affordable Housing Mitigation Fee		
Projects with 3+ Units - Full Fee	\$44,000	\$58,000
Projects with 3+ Units - Reduced Fee	\$33,000	\$43,500
Duplexes - Full Fee	\$22,000	\$29,000
Duplexes - Reduced Fee	\$16,500	\$21,750

Source: Strategic Economics, 2024.

FIGURE 9: FEE CAP OPTION BY UNIT TYPE, BUILDING SIZE, AND WITH AND WITHOUT THE REDUCTION FOR EARLY PAYMENT



Source: Strategic Economics, 2024.

The feasibility of the lifetime lease provision depends on the applicant’s objectives, risk tolerance, and the specific circumstances of the conversion. Requiring a lifetime lease introduces significant uncertainty and constraints on condominium conversions as an investment. Without this provision, a condominium conversion yields a short-term return between the time the project is initiated and the condominium is sold at the enhanced property value. The unlimited extension of the incumbent tenant’s lease, however, delays the realization of investment returns indefinitely and could extend for many years. This added encumbrance disadvantages condominium conversions utilizing the fee cap option in comparison with other residential real estate investments that otherwise might have a similar risk-return profile. However, as mentioned above, recent conversions have more frequently utilized the fee cap option as an alternative to the nexus-based fee, demonstrating that the lifetime lease provision is feasible in at least some circumstances. This may occur in situations in which the applicant has other objectives besides a short-term economic return. Some of these scenarios might include when the converted units are owned as a tenancy in common, or the property owner may have a long-term outlook, intending to occupy one of the units in the building and accepting delayed returns on the remainder of their investment. Additionally, the applicant may have advance knowledge about the expected length of the incumbent tenancy.

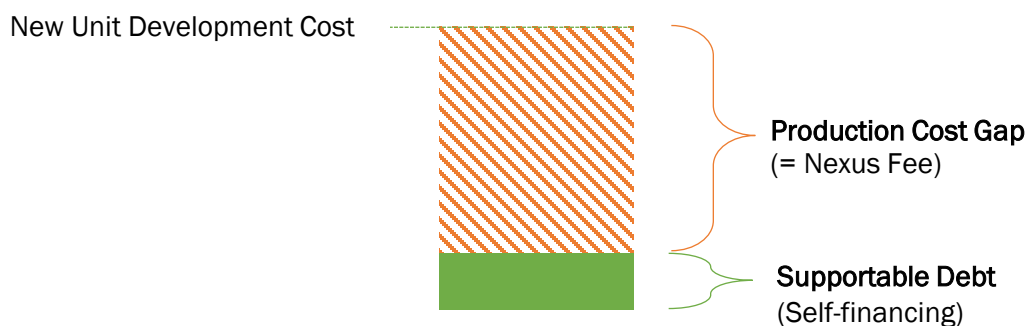
FEASIBILITY OF PROPOSED “REPLACEMENT COST NEXUS FEE”

In response to staff concerns about the challenges of administering the existing nexus-based fee, Strategic Economics tested an alternative nexus approach using a different fee formula. While the existing approach is based on a reasonable nexus with the loss in overall affordability of the converted unit, **the alternative approach instead posits a nexus with the public cost associated with replacing the rental unit for the displaced tenant.** In this approach, the replacement cost is defined as the economic support required to replace the lost rental unit with a newly built unit at a similar level of affordability. This would typically occur in a new, income-restricted affordable housing project. The

AHMF in this approach is therefore set equal to the amount of financial support that would be required per unit to develop a typical affordable housing project at the same level of affordability.

The basic formula for the replacement cost approach begins by assuming an average development cost for producing an equivalent rental unit. Next, a “supportable debt” is subtracted from this development cost. The supportable debt represents the self-financing portion of the affordable development’s capital stack, leaving a “production cost gap” that must be filled with outside sources of affordable housing funds. Strategic Economics modeled the supportable debt as the amount of market rate loan financing that could be secured for the new unit, assuming the rental income is based on the same level of affordability as the unit undergoing the condo conversion (see Figure 10). The nexus-based fee is then set equal to the production cost gap that remains.

FIGURE 10: ILLUSTRATION OF THE PROPOSED “REPLACEMENT COST NEXUS FEE” APPROACH



Source: Strategic Economics, 2024.

To estimate the production cost gap, Strategic Economics first assumed the average development cost per square foot for a “missing middle” rental prototype from the Affordable Housing In-lieu Fee study. This average cost includes land and horizontal costs, vertical building costs for wood frame construction, and surface parking. The supportable debt was then estimated for each rent scenario using financing assumptions typical of multifamily housing projects (See Figure 22 in the Appendix).

Finally, Strategic Economics tested the sensitivity of the results to interest rates. Higher interest rates result in higher borrowing costs, which in turn reduces the debt that can be supported for each of the rent scenarios. The interest rate assumption for this analysis was set at a typical rate for permanent loans on multifamily housing: 6.5 percent, or 2.5 percent higher than the current 10-year Treasury rate. Because recent years have seen much lower interest rates than this, Strategic Economics also generated results for an interest rate of three percent. These results were generated for the one-bedroom prototype, which is able to accommodate a higher cost burden than the two-bedroom.

As with the existing nexus-based fee, the nexus fee based on replacement cost achieves a similar outcome of being financially infeasible for the conversion of any rental units that are currently affordable to households with modest incomes. The calculated fees ranged from approximately \$144,000 to \$594,000 (Figure 11). Assuming a 25 percent fee reduction for early payment and the required tenant relocation assistance, the total cost burden remains far above the maximum cost burden for all unit types and rent scenarios (Figure 12).

FIGURE 11: PROPOSED “REPLACEMENT COST NEXUS FEE” BY RENT SCENARIO AND UNIT TYPE

Rent Scenarios:	1 Bedroom <i>Development Cost:</i> \$437,500			2 Bedroom <i>Development Cost:</i> \$647,500		
	Monthly Rent [a]	Supportable Debt [b]	Nexus Fee [c]	Monthly Rent [a]	Supportable Debt [b]	Nexus Fee [c]
@ 50% of AMI	\$1,329	\$81,668	\$355,832	\$1,470	\$53,189	\$594,311
@ 80% of AMI	\$2,263	\$209,007	\$228,493	\$2,521	\$196,471	\$451,029
@ 100% of AMI	\$2,886	\$293,900	\$143,600	\$3,222	\$291,992	\$355,508

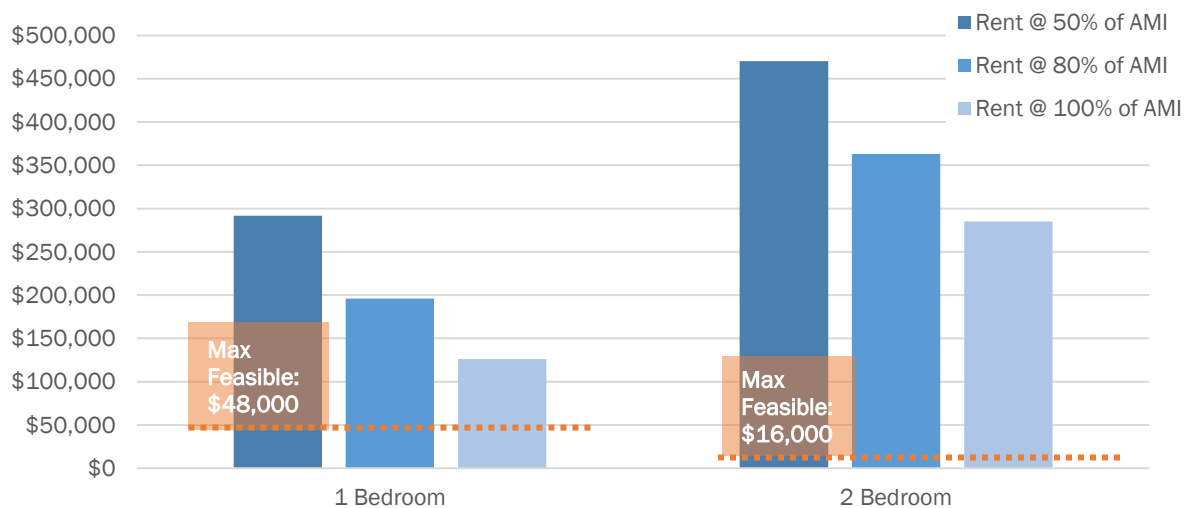
[a] Monthly rent assumes total housing costs equal to 30 percent of household income, including a utilities assumption of \$229 per month for one-bedrooms and \$283 for two-bedrooms.

[b] See Figure 22 in the Appendix for details on the calculation of the supportable debt.

[c] The nexus fee is development cost minus supportable debt.

Sources: City of Berkeley, 2024; U.S. Department of Housing and Urban Development, 2023; Strategic Economics, 2024.

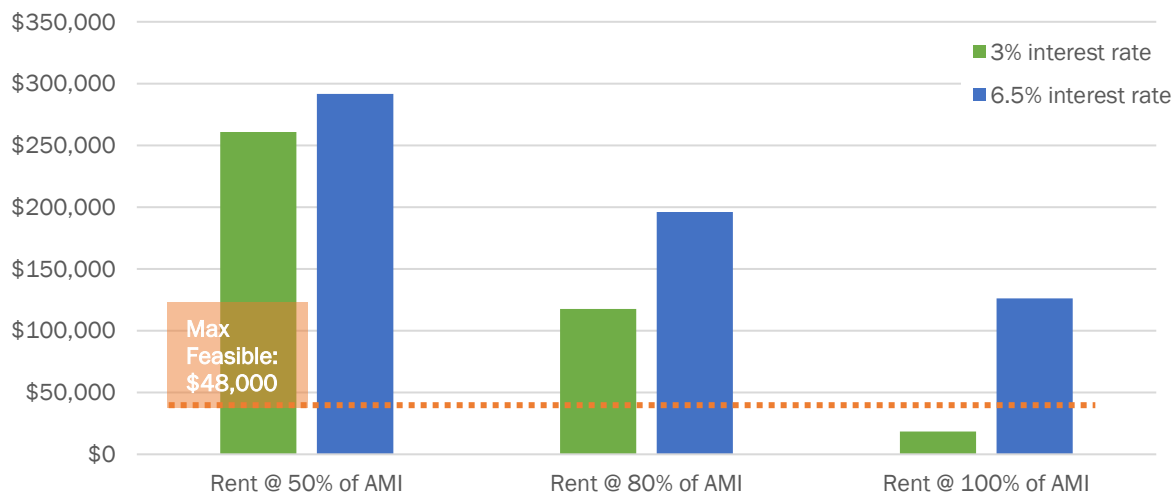
FIGURE 12: TOTAL COST BURDEN OF PROPOSED “REPLACEMENT COST NEXUS FEE” BY RENT LEVEL AND UNIT TYPE



Source: Strategic Economics, 2024.

The proposed replacement cost fee will remain infeasible in nearly all scenarios if interest rates drop. Figure 13 shows the results of the sensitivity analysis on the interest rate assumption. The most favorable condition tested (where supportable debt is highest) is for rent levels at 100 percent of AMI and a relatively low interest rate of three percent. The total cost burden in this scenario is approximately \$18,500, below the maximum feasible burden of \$48,000 for one-bedrooms. However, rent level scenarios lower than 100% of AMI are likely to be infeasible, even with favorable interest rates.

FIGURE 13: TOTAL COST BURDEN OF REPLACEMENT COST FEE FOR ONE-BEDROOM UNIT PROTOTYPE, BY RENT LEVEL AND INTEREST RATE ASSUMPTION



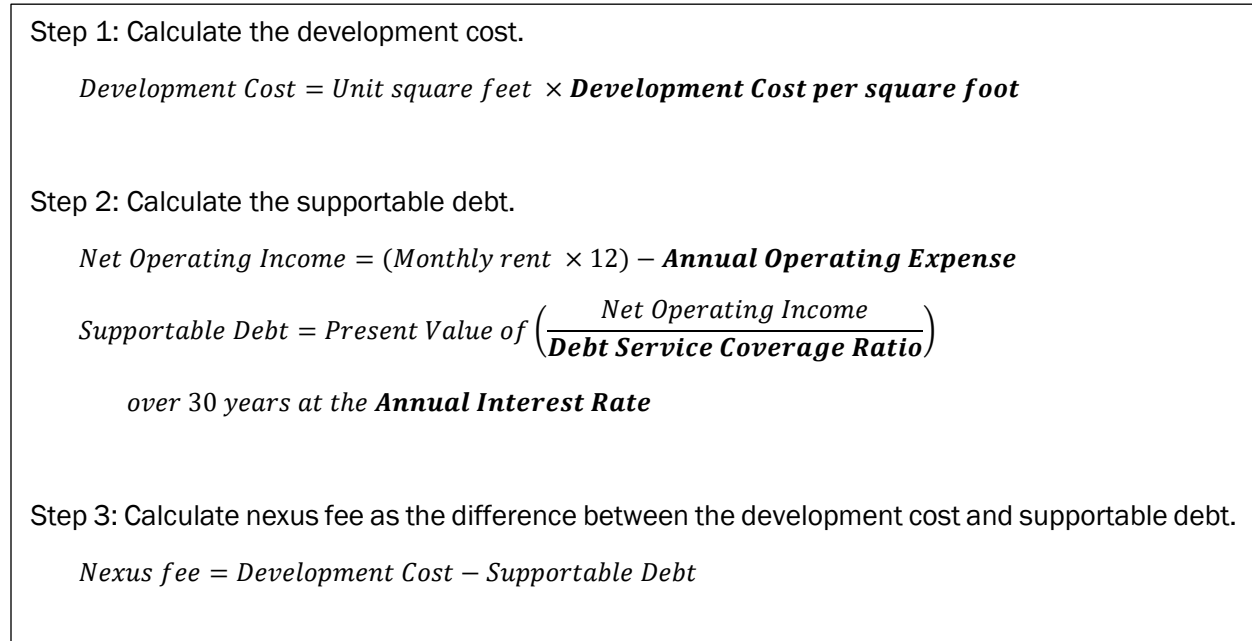
Source: Strategic Economics, 2024.

Recommendations

This section summarizes the recommendations from the analysis, including a summary in Figure 16.

Strategic Economics recommends the City adopt the replacement cost nexus fee approach in place of the existing nexus fee. As shown in the previous section, the adoption of the replacement cost fee will have a minimal effect on the overall incentive structure with the existing fee options currently in place. Overall, the replacement cost approach lowers the cost burden on conversions only slightly while remaining prohibitive in a wide range of market conditions. In addition, the calculations and assumptions for this fee would be simplified and standardized in comparison with the existing nexus fee. The details of the calculation are given below in Figure 14.

FIGURE 14: REPLACEMENT COST NEXUS FEE CALCULATION



Source: Strategic Economics, 2024.

To implement the recommended nexus fee, the City should consider one of the following implementation paths:

1. Option 1: Calculate the fee on an as-needed basis using the methodology in Figure 14. This would be a similar protocol to what is currently in place for the existing nexus fee. The recommended initial assumptions for calculating the proposed fee are outlined in Figure 15 below. As with any nexus fee, the assumptions should be updated annually, using the readily available data sources as described.
2. Option 2: Commission the development of spreadsheet tool to facilitate the calculation of the nexus fee on an as-needed basis. The tool would be prepopulated with initial values for the assumptions and would contain the financial functions necessary to calculate the nexus fee, requiring limited data entry. However, the assumptions in the spreadsheet tool would need to be updated on an annual basis following the methodology shown in Figure 15.
3. Option 3: Pre-calculate a schedule of nexus fees by rent level and unit type. The schedule of fees would utilize current assumptions for unit sizes, development costs, operating expenses, annual operating expense, and interest rates. Because development costs are the most consequential factor in the calculation of the fees, the fee schedule should be indexed annually to the California Construction Cost Index. It is important to note that this implementation path will not be responsive to other relevant economic conditions, such as overall regional inflation and changes in interest rates.

FIGURE 15: ASSUMPTIONS FOR THE REPLACEMENT COST NEXUS FEE

Assumption	Initial Value (2024)	Source of Initial Value	Method for Updating
Development Cost	\$700 per sf	Affordable Housing In-Lieu Fee Study (10-unit Small Multifamily Prototype)	Index annually to the California Construction Cost Index (CCCI) published by the Real Estate Services Division for the State of California [a]
Annual Operating Expense	\$14 per sf	Affordable Housing In-Lieu Fee Study (10-unit Small Multifamily Prototype)	Index annually to the Consumer Price Index published by the Bureau of Labor Statistics for San Francisco-Oakland-San Jose local area [b]
Debt Service Coverage Ratio	1.15	Standard assumption	Updates not needed
Annual Interest Rate	6.50%	Consultation with affordable housing developer	Use the current 10-year U.S. Treasury rate plus 2.50% [c]

Sources:

[a] <https://www.dgs.ca.gov/RES/RESOURCES/Page-Content/Real-Estate-Services-Division-Resources-List-Folder/DGS-California-Construction-Cost-Index-CCCI>

[b] https://www.bls.gov/regions/west/news-release/consumerpriceindex_sanfrancisco.htm

[c] https://home.treasury.gov/resource-center/data-chart-center/interest-rates/TextView?type=daily_treasury_yield_curve

Strategic Economics, 2024.

The City should retain the existing fee cap option and periodically consider realigning the percentage amounts to policy goals. Strategic Economics estimated the project return on condominium conversions to be fifteen percent of the condominium’s value for one-bedroom units and nine percent for two bedroom units. At the current percentage rates of eight percent of market value (four percent for duplexes), some condominium conversion projects may be feasible. The most likely projects to move forward will be those with a relatively high mix of smaller unit types and a property owner that can tolerate the highly uncertain returns associated with the lifetime lease requirement. In the future, the City may want to modify these fee cap percentages, as well as applicable fee reductions, to encourage or discourage conversions or otherwise realign them with policy objectives.

FIGURE 16: SUMMARY OF RECOMMENDATIONS

Condo Conversion Key Provisions	Current Policy	Recommended Changes
Exclusive Right to Purchase	Incumbent tenants offered first right to purchase their converted unit.	Continue policy.
Nexus-based Mitigation Fee	Applicant must pay a mitigation fee based on the loss of unit affordability. The difference in affordability is defined as the total cost of ownership of the condo minus the incumbent tenant's rent.	Replace the current nexus-based mitigation fee with the replacement cost approach based on the amount of financial support needed to replace the converted unit with a newly built unit offered at the same level of affordability
Alternative Fee Cap Option	Applicant may pay a reduced fee if the incumbent tenant is offered a lifetime lease and rent limitations. The reduced fee is set at 8% of the condo's market value in buildings of 3 or more units, or 4% of market value for duplexes	Continue policy and adjust the percentages periodically as needed to realign with policy goals.
Fee Reductions for Early Payment	The mitigation fee or alternative rent limitation fee amount due is reduced by 25% if paid no later than the date of conversion	Continue policy.

Source: Strategic Economics, 2024.

APPENDIX

FIGURE 17: CONDOMINIUM CONVERSION DETAILS BY UNIT TYPE, 2017 TO 2023

Street Address	Number	Unit	Square Feet	Year Converted	AHMF Payment	Unit Value	Unit Value (2023 Dollars)	Value psf (2023 Dollars)
1-Bedroom Units								
Acton	2441		575	2019	\$30,000	\$500,000	\$574,272	\$999
Acton	2445		575	2019	\$30,000	\$500,000	\$574,272	\$999
Acton	2443		575	2019	\$30,600	\$510,000	\$585,758	\$1,019
Acton	1310	D	612	2022	\$21,150	\$705,000	\$626,464	\$1,024
Acton	1310	A	650	2022	\$21,270	\$709,000	\$630,018	\$969
Acton	1310	B	650	2022	\$42,540	\$709,000	\$630,018	\$969
Acton	1310	C	650	2022	\$42,540	\$709,000	\$630,018	\$969
Ashby	1715		605	2020	\$20,700	\$345,000	\$386,035	\$638
Ashby	2525	2	853	2019	\$60,200	\$752,500	\$864,279	\$1,013
Ashby	2525	1	1018	2020	\$61,600	\$770,000	\$861,586	\$846
Ashby	1711		600	2020	\$20,700	\$345,000	\$386,035	\$643
Bancroft	930		578	2018	\$30,000	\$375,000	\$420,643	\$728
Bancroft	932		578	2018	\$30,000	\$375,000	\$420,643	\$728
Eighth	1804		462	2018	\$22,500	\$375,000	\$420,643	\$910
Hearst	1822	B	721	2021	\$39,120	\$489,000	\$471,430	\$654
Hearst	1820	A	546	2022	\$42,000	\$525,000	\$466,516	\$854
Hearst	1822	C	706	2021	\$52,000	\$650,000	\$626,646	\$888
Henry	1337	C	442	2021	\$26,400	\$330,000	\$318,143	\$720
King	2949	A	313	2020	\$15,600	\$260,000	\$290,925	\$929
Panoramic Way	73		732	2017	\$73,125	\$585,000	\$723,878	\$989
Webster	2325	A	750	2021	\$28,000	\$700,000	\$674,849	\$900
1-Bedroom Average			628	2020	\$35,240	\$534,214	\$551,575	\$876
2-Bedroom Units								
Ashby	1703		694	2020	\$20,400	\$340,000	\$380,441	\$548
College	3040	2	1008	2021	\$38,200	\$955,000	\$920,687	\$913
Fifth	2411	1	1023	2017	\$19,800	\$660,000	\$816,683	\$798
Henry	1337	A	661	2021	\$55,200	\$690,000	\$665,209	\$1,006
Panoramic Way	75		1174	2017	\$75,000	\$750,000	\$928,049	\$791
Sixty-Sixth	1329	B	845	2017	\$35,100	\$585,000	\$723,878	\$857
Sixty-Sixth	1329	A	980	2017	\$37,800	\$630,000	\$779,561	\$795
Virginia	1532	A	819	2021	\$22,600	\$565,000	\$544,700	\$665
Virginia	2406		1224	2017	\$23,700	\$790,000	\$977,545	\$799
2-Bedroom Average			936	2019	\$36,422	\$662,778	\$748,528	\$797
3-Bedroom Units								
Ellis	3033	A	1245	2017	\$37,200	\$930,000	\$1,150,781	\$747
Sixty-Sixth	1329	C	1180	2017	\$34,200	\$570,000	\$705,317	\$483
3-Bedroom Average			1213	2017	\$35,700	\$750,000	\$928,049	\$615

Source: City of Berkeley, 2024; Strategic Economics, 2024.

FIGURE 18: CALCULATION OF MUNICIPAL FEES FOR A CONDOMINIUM CONVERSION PROJECT OF FOUR UNITS

	Project Fee	Per Unit Fee
Condominium Conversion Fees		
Condominium Conversion (1 to 4 units)	\$5,550	\$1,388
Notice of Local Law Compliance	\$3,500	\$875
Rent Board Review	\$500	\$125
Map Deposit Fee	\$588	\$147
HHCS Project Application Fee	\$310	\$78
HHCS Application Fee	\$1,680	\$420
HHCS Recording Documents	\$2,480	\$620
Application Fee	\$500	\$125
Total Condo Conversion Fees	\$15,108	\$3,777
Subdivision Fees		
Parcel Map	\$4,820	\$1,205
Final Map: filing fee	\$376	\$94
Final Map: map checking fee	\$724	\$181
Certificate of Compliance	\$1,743	\$436
Subdivision Map deposit	\$588	\$147
Total Subdivision Fees	\$8,251	\$2,063
Total Municipal Fees	\$23,359	\$5,840
Rounded to Nearest \$1000		\$6,000

Source: Condominium Conversion Fee Sheet, City of Berkeley, 2024; Strategic Economics, 2024.

FIGURE 19: CONDOMINIUM COST OF OWNERSHIP ASSUMPTIONS

	Assumption	Basis	Sources & Notes
Loan Type	Conventional		
Down Payment Assumption for Existing Fee	5%	Sales Price	City of Berkeley Condo Conversion Guidelines, 2023
Loan-To-Value (LTV) Ratio	95%	Sales Price	City of Berkeley Condo Conversion Guidelines, 2023
Interest Rate (Annual)	6.500%		FreddieMac 52-Week Average for 30-Year FRM, 2024
Term of Loan (Years)	30		City of Berkeley Condo Conversion Guidelines, 2023
Monthly Homeowner Association Dues	\$0.32	Per square foot	Zillow, 2023
Property Tax Rate (Annual)	1.25%	Sales Price	https://bekinsmovingservices.com/blog/alameda-county-property-tax/
Condo Hazard Insurance	\$75	Per month	Quote from AAA Insurance

FIGURE 20: INCUMBENT TENANT RENT SCENARIO AND RELOCATION COST ASSUMPTIONS

	1-Bedroom	2-Bedroom	Sources & Notes
Household Size (persons per HH)	2	3	
Utility allowance	\$229	\$283	City of Berkeley monthly utility allowances, 2023
Monthly Rent Scenarios			
Rent @ 50% of AMI	\$1,329	\$1,470	Monthly Rent is calculated as 30 percent of area median income less utility allowance. Area median incomes and utility allowances from City of Berkeley, 2023.
Rent @ 80% of AMI	\$2,263	\$2,521	
Rent @ 100% of AMI	\$2,886	\$3,222	
Relocation Assistance			
Low and Very Low Income Households	\$24,710	\$24,710	City of Berkeley, 2023. https://rentboard.berkeleyca.gov/community-recreation/news/2023-adjustments-relocation-assistance-payments
All Others	\$18,533	\$18,533	

FIGURE 21: CALCULATION OF EXISTING NEXUS-BASED FEE BY RENT LEVEL AND UNIT TYPE

	1-Bedroom	2-Bedroom
Condo Monthly Payment		
Mortgage Amount	\$522,500	\$688,750
<u>Down Payment</u>	<u>\$27,500</u>	<u>\$36,250</u>
Monthly Payment	\$3,303	\$4,353
Condo Monthly Expenses		
HOA Dues	\$198	\$293
Property Taxes	\$573	\$755
<u>Homeowner's Insurance</u>	<u>\$75</u>	<u>\$75</u>
Total Monthly Expenses	\$846	\$1,123
Total Condo Monthly Expenses		
Mortgage	\$3,303	\$4,353
<u>Other Expenses</u>	<u>\$846</u>	<u>\$1,123</u>
Total Monthly Expenses	\$4,148	\$5,476
% of AMI	133%	156%
Nexus-based Fee		
	1 Bedroom	2 Bedroom
Rent @ 50% of AMI	\$520,559	\$739,700
Rent @ 80% of AMI	\$348,036	\$545,577
Rent @ 100% of AMI	\$233,021	\$416,161
Total Cost Burden ^[a]		
Rent @ 50% of AMI	\$415,129	\$579,485
Rent @ 80% of AMI	\$285,737	\$433,892
Rent @ 100% of AMI	\$193,298	\$330,654

[a] Total Cost Burden assumes a 25 percent reduction of the nexus fee for early payment plus applicable tenant relocation assistance.

Source: Strategic Economics, 2024.

FIGURE 22: CALCULATION OF REPLACEMENT COST NEXUS FEE BY RENT LEVEL AND UNIT TYPE

	Development Cost (a)	Monthly Rent (b)	Annual Rental Revenue (c) = (b)*12	Supportable Debt Calculation			Income Available for Debt Service (g) = (d) / (f)	Supportable Debt (h)	Production Cost Gap (a) - (h)
				Annual Operating Expense (d)	Net Operating Income (e) = (c) - (d)	Debt Coverage Ratio (f)			
1-Bedroom									
@ 50% of AMI	\$437,500	\$1,329	\$15,942	\$8,750	\$7,192	1.15	\$6,254	\$81,668	\$355,832
@ 80% of AMI	\$437,500	\$2,263	\$27,156	\$8,750	\$18,406	1.15	\$16,005	\$209,007	\$228,493
@ 100% of AMI	\$437,500	\$2,886	\$34,632	\$8,750	\$25,882	1.15	\$22,506	\$293,900	\$143,600
2-Bedroom									
@ 50% of AMI	\$647,500	\$1,470	\$17,634	\$12,950	\$4,684	1.15	\$4,073	\$53,189	\$594,311
@ 80% of AMI	\$647,500	\$2,521	\$30,252	\$12,950	\$17,302	1.15	\$15,045	\$196,471	\$451,029
@ 100% of AMI	\$647,500	\$3,222	\$38,664	\$12,950	\$25,714	1.15	\$22,360	\$291,992	\$355,508

See Figure 15 for assumptions for development cost (a), operating expense (d), debt coverage ratio (f) and interest rate for supportable debt (h). Supportable Debt is calculated by converting the annual income available for debt service to a present value loan amount, assuming a 30-year loan.

See Figure 20 for assumptions for monthly rent (b).

Source: Strategic Economics, 2024.



Health, Housing, and
Community Services Department
Housing & Community Services Division

MEMORANDUM

To: Housing Advisory Commission

From: Asavari Devadiga, Community Development Project Coordinator

Date: May 7, 2026

Subject: **2026 Capacity Building Request for Proposals Funding Recommendations**

Recommendations

Recommend that the City Council:

1. Approve a capacity building contract with Bay Area Community Land Trust for Fiscal Years 2027 and 2028 for up to \$200,000 per fiscal year, subject to approval in the budget process; and
2. Authorize the City Manager or designee to execute all original or amended documents or agreements to effectuate this action.

Current Situation and Its Effects

The HTF Subcommittee meeting is scheduled on May 6, 2026. The recommendations from the subcommittee will be shared at the HAC meeting on May 7, 2026.

The City released its 2026 Capacity Building Request for Proposals (RFP) in March 2026 for \$400,000 (\$200,000 per year for Fiscal Years 2027 and 2028) to support capacity building for emerging nonprofit affordable housing developers. The funds would be awarded from the General Fund's Measure U1 budget and would be subject to Council approval in the FY2027 and FY2028 budget processes. The capacity building funds are available to nonprofit developers who do not meet the experience thresholds in the Housing Trust Fund (HTF) and Small Sites Program (SSP) guidelines, based on the number of projects completed by the organization or the experience of the current staff. Applicants must be actively working on or pursuing new opportunities for affordable housing in Berkeley that could be eligible for City funding under the City's housing programs. Available capacity building funds may be allocated to one applicant or divided amongst multiple applicants.

Applications Received

The City received three proposals to the RFP by the submission deadline from the following organizations:

1. Bay Area Community Land Trust
2. Insight Housing
3. Supportive Housing Community Land Alliance

Staff’s review included evaluating the eligibility of each applicant and assessing each applicant using the following criteria for a total score of up to 100 points:

1. Program Development: Up to 40 points
2. Staff Development: Up to 25 points
3. Board Development: Up to 20 points
4. Additional Considerations: Up to 15 points

The proposals are summarized in Table 1 and described in detail further below.

Table 1. Summary of Proposals Received by the Submission Deadline

Applicants	Eligible?	Requested funds	Score
<i>Bay Area Community Land Trust</i>	Yes	\$200,000	97
<i>Insight Housing</i>	Yes	\$200,000	85
<i>Supportive Housing Community Land Alliance</i>	Yes	\$62,577	54

Rationale for Recommendation

Staff considered splitting the available funding and making a portion available to the top two applicants or to all three applicants. Because capacity building funds are limited, and because Bay Area Community Land Trust (BACLТ) submitted the strongest application, staff recommend funding BACLТ at their full request. BACLТ’s proposal included detailed efforts with specific metrics and measurable outcomes to build the organization’s capacity. BACLТ has one acquisition-rehab project underway in Berkeley and is actively pursuing new opportunities.

Bay Area Community Land Trust

BACLТ is a social justice organization formed in 2006 that converts for-profit rental properties to permanently affordable, democratically run, cooperative housing for lower income households. BACLТ’s primary goals rest in preserving affordability of housing that is at risk, especially in communities of color, and creating and sustaining resident empowerment through resident-run cooperatives by providing technical assistance.

Applicant	Scores for Review Criteria				
Bay Area Community Land Trust	Program Development	Staff Development	Board Development	Additional Considerations	Total Score
	40	23	20	14	97

Program Development (40 out of 40 points)

BACLT prioritizes smaller properties that are at risk of losing their affordable units due to increased rents to market rate levels, thus leading to the displacement of low-income residents. BACLT’s work involves removing at-risk properties from the market and making them permanently affordable co-ops for low-income people. BACLT completed two SSP projects (Stuart Street Apartments and Solano Avenue Cooperative) and has one underway (California Street Apartments).

BACLT’s proposal includes specific plans to improve new project development in Berkeley, strengthen organizational strategies and infrastructure, and refine the co-op education and conversion to co-operative program. The near-term plans include performing a cost-benefit analysis of new projects based on BACLT’s business plan and improving its project feasibility analysis tools by December 2026. In the past few months, BACLT has engaged with at least five groups of residents – four cooperatives totaling 53 units and a worker housing rental compound with 24 units, all with residents at risk of displacement – about partnering with BACLT to bring their properties under BACLT stewardship.

Staff Development (23 out of 25 points)

BACLT recognizes the need to strengthen its internal capacities to grow and manage its portfolio, and the proposal identifies areas where capacity building funds would be impactful. The organization has undergone significant staffing transitions over the past few years, so current staff do not have housing development experience and BACLT relies on consultants to support project management. With the requested funding, BACLT would pursue opportunities to build staff’s technical skills in housing development through trainings from Local Initiatives Support Corporation, Enterprise Community Foundation, and fair housing consultants. BACLT also supplements its staff capacity with support from consultants such as Healthy Black Families to conduct resident trainings and improve resident relationships. Priority areas identified for staff training are – 1) affordable housing development and compliance for project and asset management; and 2) facilitation, collective decision-making, conflict resolution and collective governance for self-management to support co-op conversion. BACLT would increase salaries, improve employee benefits, and deepen and develop relationships and strategies for continued diversification of BACLT’s funding base.

Board Development (20 out of 20 points)

BACLT has 13 Directors on its Board, of which one-third are representatives of the communities BACLT serves. The proposal describes training and development of the Board, including broadening organizational capacity development and lists goals to

have annual board retreats, structured onboarding, and investing in financial stewardship training from outside professionals.

Additional Considerations (14 out of 15 points)

BACLT hires consultants for technical assistance. BACLT seems to be stable enough with its staff and consultants to take the steps and the goals identified in the capacity building proposal. BACLT’s past work with the City includes properties that have received SSP funds and capacity building and technical assistance grants since 2019. The City’s asset management team did not identify any outstanding compliance issues related to BACLT’s Berkeley projects. The proposal describes clear metrics and identifies future steps in building organizational capacity. BACLT’s audited financials indicate stability and financial health that is sufficient to allow BACLT to complete the scope of work in the proposal.

Insight Housing

Insight Housing’s (Insight) mission is to ensure everyone in the community has a home through supportive and sustainable housing solutions. Founded in 1970, Insight has grown to deliver programs across seven counties in California including Alameda and Contra Costa counties. In recent years, Insight has reaffirmed its commitment to real estate development as a core strategy for addressing homelessness.

Applicant	Scores for Review Criteria				
Insight Housing	Program Development	Staff Development	Board Development	Additional Considerations	Total Score
	40	22	14	9	85

Program Development (40 out of 40 points)

In 2022, Insight celebrated the grand opening of the Berkeley Way Hope Center, which includes 53 units of permanent supportive housing (PSH) and a 44-bed shelter co-developed with BRIDGE Housing. Insight also is the developer, owner and operator of Dwight Way Center that completed extensive rehabilitation in 2025. Dwight Way Center serves as a 32-bed women’s shelter, transitional housing for 26 veterans, and board and care for 15 individuals with serious mental health needs. Russell Street Residences, a 21-unit project that serves board and care clients and formerly homeless residents. Insight currently has two projects underway in Berkeley – a new 85-unit PSH project to be constructed at the North Berkeley BART site and the renovation of MLK House, an 11-unit single-resident-occupancy project that will serve formerly homeless veterans. Insight proposes to use the capacity building funds toward continuing to evaluate and pursue development opportunities in Berkeley.

Staff Development (22 out of 25 points)

Insight recognizes the competitive environment in supporting better compensation structures and benefits, as well as onboarding, and professional development by offering career pathways. Insight provides a structured organization-wide training

program however, the proposal is not clear on how staff will receive training beyond onboarding.

The capacity building funds will support one full-time staff member dedicated to expanding and strengthening Insight’s internal real estate development function. Insight also proposes to use the requested funds toward priority areas in the real estate development team such as building financial analytical capacity, developing operational feasibility analysis, and increasing cross-departmental coordination and hand-off protocols. Other plans include developing a project evaluation tool, an operations manual, a funding tracking system, procurement policies, and instituting shared reporting among departments.

Board Development (14 out of 20 points)

Insight has a six-person Board of Directors. Board members are recruited through referrals and professional industries groups. Trainings for Board members in areas related to strategic priorities, such as real estate development have been mainly internal; no external training opportunities were identified.

Additional Considerations (9 out of 15 points)

Insight has experience managing public funds at the federal, state, and local levels. HCS worked with Insight to resolve issues related to its operating and services funding for the Hope Center. Insight only shared two years of audited financial statements – from 2023 and 2024 – and the 2023 financial metrics are below the City’s standards. While metrics improved in 2024, without more recent financial statements, City staff could not fully assess Insight’s financial stability and its ability to carry out the scope in the proposal.

Supportive Housing Community Land Alliance

Formed in 2021, the Supportive Housing Community Land Alliance (SHCLA) is a nonprofit community land trust dedicated to creating and preserving permanent housing for people living with serious mental illness.

SCHLA’s request for capacity building funds is to expand organizational expertise, strengthen internal systems, and support the transition from early project implementation to consistent production of affordable and supportive housing in the city of Berkeley.

Applicant	Scores for Review Criteria				Total Score
	Program Development	Staff Development	Board Development	Additional Considerations	
SCHLA	30	10	11	3	54

Program Development (30 out of 40 points)

SCHLA has two projects in Oakland with supportive housing facilities serving residents with mental illness: The Union, which is a 24-bed licensed Adult Residential Facility for transitional age youth with serious mental illness and Mandana, which is a small-site preservation project that maintains for existing residents and adds a deeply affordable (30% AMI) unit. SCHLA proposes to build development capacity by creating project management tools, standardizing operating procedures, establishing communication protocols, and improving property management with technical tools. SCHLA mentions incorporating resilience in program policies and decision-making tools, however does not include much detail on how this would be achieved.

The proposal describes community engagement and building partnerships. The proposal does not describe potential affordable housing opportunities or new projects in Berkeley in any detail or how future work might be focused in Berkeley. SCHLA did not include its plan to secure additional funding sources to support its operation, or its ability to manage different funding sources.

Staff Development (10 out of 25 points)

Current staff experience at SCHLA is focused on two projects, The Union and 539 Madana, in Oakland. SHCLA does not provide property management services in-house, but partners with property managers. SCHLA's proposed capacity building efforts focus on expanding its organizational expertise, strengthening internal systems, and supporting the transition from early project implementation to consistent production of affordable and supportive housing. However, there is no mention of recruiting and retention of staff (e.g., staff development, trainings).

Board Development (11 out of 20 points)

SCHLA has three Directors on its Board, which is the minimum required in the by-laws. The Board is recruited from different fields and the proposal notes efforts to recruit prospective board members to strengthen organization capacity and governance. However, there is no detail in the proposal on how the organization plans to recruit Board members.

Additional Considerations (3 out of 15 points)

SCHLA has no prior work history with City. SHCLA's mission aligns with Berkeley goals to advance housing, equity, health, and climate priorities, however SCHLA does not have active projects in Berkeley, and they did not identify steps toward pursuing new affordable housing opportunities in Berkeley. SCHLA lays out expected outcomes but there are no clear metrics for tracking progress. In addition, based on SCHLA's unaudited financials that show financial metrics below the City's standards, the organization may not be financially stable enough to carry out its proposal.

Housing Advisory Commission

May 7, 2026

To: Housing Advisory Commission
Submitted by: Debbie Potter, District 6
Subject: Recommend that the City Council Direct the Mayor to Send a Letter of Support for AB 2252 (Building Standards – Residential Buildings)

RECOMMENDATION

Recommend that the City Council direct the Mayor to send a letter of support for AB 2252. AB 2252 directs the state Department of Housing and Community Development to propose building standards for single stairway apartment buildings of up to six stories and, if passed, allows cities and counties to modify local building standards to permit single stairway apartment buildings of up to six stories.

A draft letter to the City Council recommending that it direct the Mayor to send a letter of support for AB 2252, on behalf of the City Council, is attached.

FISCAL IMPACTS OF RECOMMENDATION

There is no fiscal impact to sending a letter of support for AB 2252.

CURRENT SITUATION AND ITS EFFECTS

Current state building code standards require two exit stairwells connected by a hallway for all buildings over three stories. This requirement exists for fire safety reasons. However, this requirement has not kept paced with advances in fire safety techniques and technology. The required two exit stairwells connected by a hallway is a barrier to building middle housing on smaller, in-fill lots.

The City Council recognizes this barrier to maximizing its strategic goal of encouraging middle housing. On February 24, 2026, it approved its 2026 State Legislative Priorities. Housing Policy #3 states:

- Pursue updates to the State building code, if necessary, and to promote innovative forms of housing construction, including Prohousing codes like single stair.

BACKGROUND

The state Legislature has been working to address the barrier to middle housing on smaller and in-fill lots for several legislative sessions. Eliminating the requirement for two stairwells connected by a hallway requirement can reduce construction costs by 6% -13%, allow for design flexibility, and result in more efficient and attractive buildings on smaller lots. AB 2252 directs the state Department of Housing and Community

Development to propose building standards for single stairway apartment buildings up to six stories. If passed, AB 2252 would allow cities and counties to change or modify local building standards to permit single stairway buildings during the moratorium in changing or modifying building standards period, which is in place through 2031. Culver City has already modified its local building code to allow for single stairway apartment buildings and San Jose is studying such a modification. The cities of Seattle, Austin and several others have previously adopted standards that permit single stairway apartment buildings.

ENVIRONMENTAL SUSTAINABILITY AND CLIMATE IMPACTS

A letter of support for AB 2252 does not generate any climate impacts. Passage of the legislation promotes environmental sustainability by facilitating infill and small lot multifamily housing development.

RATIONALE FOR RECOMMENDATION

AB 2252 would allow local jurisdictions to adopt a building standard permitting single stairway apartment buildings up to six stories. It would accomplish the City's legislative policy priority to adopt pro-housing building codes. Therefore, HAC should recommend that the City Council direct the Mayor to send a letter of support.

ALTERNATIVE ACTIONS CONSIDERED

No alternate action was considered.

Attachment:

1. Letter to City Council recommending it direct the Mayor to send a letter of support for AB 2252

May 7, 2026

Honorable Mayor and Members of the City Council of the City of Berkeley
2180 Milvia Street
Berkeley, CA 94704

Dear Honorable Mayor and Members of the City Council:

At its May 7, 2026 meeting, the Housing Advisory Commission voted to recommend that the City Council direct the Mayor to send a letter of support for AB 2252 – Building Standards, Residential Buildings. AB 2252 directs the state Department of Housing and Community Development to propose building standards for single stairway apartment buildings of up to six stories and, if passed, allows cities and counties to modify local building standards to permit single stairway apartment buildings of up to six stories

At its February 24, 2026 meeting, the City Council adopted a State Legislative Agenda. Housing Policy Priority #3 of the legislative agenda states:

- Pursue updates to the State building code, if necessary, and to promote innovative forms of housing construction, including Prohousing codes like single stair.

Eliminating the second exit stairway for apartment buildings between three and six stories is a critical building code modification to maximize the city's strategic priority of encouraging middle housing. The current code requiring two exit stairwells connected by a hallway makes it virtually impossible to build multifamily housing on infill and small lots. A single stairwell design is 6% - 13% less expensive, allows for greater design flexibility resulting in a greater mix of unit sizes, more windows, and open space, and results in more efficient and attractive buildings.

As noted in the city's legislative agenda, a single exit/single stairway multifamily building type is a pro-housing building standard. AB 2252 would achieve this pro-housing building standard and is consistent with the City's legislative agenda. Therefore, it is recommended that the city underscore its commitment to middle housing and affordable housing development models by directing the Mayor to send a letter of support of AB 2252, on behalf of the City Council.

Sincerely,

Sarah Bell, Chair
Housing Advisory Commission