

Berkeley Social Housing Study

Draft - May 2025



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Executive Summary

The *Berkeley Social Housing Study* explores how the City of Berkeley can begin to integrate social housing principles into its broader housing framework, advancing a vision of housing as a universal right. As the housing crisis deepens, Berkeley faces challenges, and there is growing recognition that existing programs are not sufficient to meet the scale of the housing need.

Interest in social housing is growing, drawing inspiration from international models like Vienna. From Seattle to Rhode Island, governments are exploring public ownership, cross-subsidization strategies, and tenant governance. Yet key questions remain: how social housing differs from traditional affordable housing, what income levels it should serve, and how to pursue these goals in the context of limited funding and an underdeveloped social safety net.

This report explores the principles of social housing and how it can be implemented in Berkeley to improve the delivery of affordable housing to meet local needs. It begins by defining key principles, using case studies to illustrate how these are put into practice. A financial analysis explores trade-offs between new construction and acquisition-rehab, rental and ownership, and balancing market-rate cross-subsidies with deeper affordability. The report concludes with recommendations outlining how the City can initiate near-term actions and long-term strategies to advance social housing.

This moment offers an opportunity for reflection and strategic direction. Berkeley has long been a leader in progressive housing policy, with tools that already advance social housing principles. This report offers a framework for the City to evaluate its current programs while charting a forward-looking agenda to deepen its commitment to housing as a public good.

What is Social Housing?

A literature review identifies several core principles that collectively define social housing as:

- Publicly or mission-driven owned and protected from transfer to for-profit entities
- Permanently affordable and protected from market speculation
- Inclusive of a broad range of incomes
- Centered on resident stability and self-governance

Berkeley Housing Needs

The analysis highlights several key housing needs in Berkeley:

- **Cost-Burdened Households:** As of 2020, more than 10,000 renter households earning less than 50% AMI were cost-burdened. Seniors comprised about 20% of this group, a share that is expected to grow as the baby boomer generation continues to age in place.
- **Unhoused People.** The 2024 Point-in-Time count identified 844 unhoused individuals in Berkeley. Housing insecurity also affects the student population: in 2021, 8% of UC Berkeley’s roughly 38,000 students reported spending at least one night in a temporary shelter or a place not intended for habitation due to lacking a permanent home.
- **Loss of Black/African American Households.** Berkeley’s Black population declined by 39% from 2000 to 2023 from 13,700 to 8,415 residents. In this same period, Black homeownership also fell from 40% to 32%, with Black homeowners leaving the city at a faster rate than renters.
- **Outstanding Affordable Housing Needs.** While Berkeley continues to make progress in affordable housing production, it has not historically fully met its Regional Housing Needs Allocation (RHNA) goals. The City experienced slow permitting in the first two years of the current 2023–2031 RHNA cycle. However, upcoming projects, such as the affordable housing planned at the North Berkeley and Ashby BART stations, offer potential to help the city reach its RHNA goals by the end of the cycle.
- **Long-Term Status of Rent-Controlled Inventory.** Although approximately 21,500 rental units in Berkeley are subject to limits on rent increases during a tenant’s occupancy, over time, many of these units turn over and reset to market rents, reducing the long-term affordability of the rent-controlled stock.
- **Limited Access to Equity Building through Homeownership.** In 2000, the median-income household in Berkeley could afford the median-priced home, but that is no longer the case. Today, homeownership is increasingly out of reach for all but higher income households, limiting opportunities for equity building and long-term stability.

Case Study Findings

This report presents case studies showcasing both European models and U.S. examples of how cities are moving towards social housing. Vienna and Denmark are featured as long-standing examples, demonstrating the impact of sustained public investment in affordable housing. The report also features U.S.-based case studies, primarily Montgomery County, Maryland, along with brief overviews of efforts in California, Seattle, and San Francisco, to illustrate how American cities are adapting social housing.

Findings include:

- **Social housing can be effectively owned and managed by government entities AND nonprofit organizations.** Both European examples started with municipal-built housing after World War II but have since evolved. Denmark's system is decentralized, built, and managed by a network of over 500 nonprofit housing associations. Vienna has shifted from direct public production to a model led by limited-profit housing associations (LPHAs).
- **Social housing plays a transformative role when it represents a substantial share of the overall housing stock.** In Denmark, it accounts for approximately 21% of all homes. In Vienna, the impact is even more pronounced, with 43% of housing owned by the City or limited-profit associations, keeping it outside the speculative market. Unlike the U.S. approach, where affordable housing relies on limited public subsidies and market-rate filtering, these models show that expanding social housing directly is an effective strategy for achieving more immediate and long-term affordability.
- **A long-term commitment to sustained funding is essential to scaling production.** In Vienna and Denmark, a commitment to social housing is supported by dedicated public funding streams that enable local governments and nonprofits to pursue social housing. These countries do not rely solely on private market incentives; instead, they actively shape production through coordinated policy, public investment, and strategic partnerships.
- **Cost containment as a central strategy for production.** The European case studies use tools such as land banking, coordinated infrastructure planning, and innovative housing typologies to keep production expenses low. At the same time, they maintain a strong emphasis on design quality and sustainability, recognizing that subsidized housing must be functional, visually appealing, and well-integrated into the broader urban environment.
- **Vienna and Denmark offer human-centered approaches to eligibility for housing at all stages of life.** In Denmark, income is not a factor defining eligibility; instead, the various housing associations operate within a flexible system, seeking to provide housing to all that request it. In Vienna, income limits exist, but are defined more broadly than in the US, with eligibility up to 180% AMI, ensuring widespread access to affordable housing.
- **Denmark and Vienna offer important lessons on how to structure waitlists to support residential mobility within the system.** Their systems prioritize resident needs, allowing individuals to move within the housing system as their circumstances evolve, whether due to employment changes, family growth, or aging. In the U.S., there is often no clear path for a resident in LIHTC housing to transition to affordable ownership, for example. By contrast, Denmark and Vienna have built flexible waitlist structures and transfer mechanisms that make such transitions feasible and intentional.

- **An often overlooked but critical aspect of social housing systems is the role of demand-side support, particularly the broader social safety net.** In housing, this means providing rental assistance or tenant vouchers to help low-income households afford their homes. For example, in Vienna, 19% of social housing funding is allocated to direct assistance to individuals or households, rather than to the housing itself. This underscores the need to address both the affordable housing shortage and the income that limits access.
- **Establishing meaningful tenant governance requires formal structures, education, and a balance between resident power and professional management.** Tenant governance is fundamentally different from tenant input. In Denmark, governance is formalized; tenants vote on their building's annual budget at a mandated annual meeting. In contrast, the U.S. largely lacks formal governance structures in housing; most tenant participation is voluntary and advisory. Moving toward true governance in the U.S. would require piloting new structures and investments in tenant education.
- **Montgomery County's Housing Opportunity Commission (HOC) provides a U.S.-based example of how elements of a social housing model can be adapted within a conventional affordable housing finance system.** Evolving from its origins as a public housing authority, HOC develops both mixed-income and 100% affordable projects. In mixed-income developments funded by the Housing Production Fund, it retains an equity stake, preserving elements of public ownership and long-term control.
- **Both Denmark's National Building Fund and HOC's Housing Production Fund operate revolving funds that reinvest in social housing, but through different models.** Denmark's fund is sustained by surplus rent from paid-off social housing loans, creating a self-financing system rooted in tenant contributions. HOC's Housing Production Fund uses public bond financing repaid through project-level permanent financing to recycle capital into future developments. Both approaches reduce dependence on private capital and ensure ongoing reinvestment in permanently affordable housing.

Financial Analysis of Social Housing Examples in Berkeley

The financial analysis examines two scenarios: one involving the acquisition and rehabilitation of a recently sold 21-unit building on Dwight Way, and another focused on a new construction project entitled on Shattuck Avenue within the Adeline Corridor Specific Plan Area. These scenarios were designed to test two different social housing models.

- **Option A: Cross Subsidization / Half and Half.** Inspired by Montgomery County's HOC, this scenario uses a cross-subsidy, where revenue from market-rate units helps cover the cost of providing more affordable housing.
- **Option B: Predominantly Affordable.** The second scenario mirrors a Vienna-style approach by providing units affordable to households at 30%, 50%, 80% of AMI,

alongside market-rate units, to foster income diversity within the building.

Each set of options was analyzed for both rental and ownership configurations, with the following findings.

- **Acquisition-rehab is a cost-effective social housing strategy, offering lower per-unit costs compared to new construction.** The total development cost (TDC) for acquisition-rehab is estimated at approximately \$460,000 per unit, compared to \$725,000 per unit for new construction. Recent market shifts have also expanded opportunities to acquire market-rate buildings, such as Bridge Housing's acquisition of a market-rate building in Berkeley.

While acquisition-rehab has a lower all-in cost, it lacks ample dedicated state funding sources, which makes the local subsidy higher. Still, this approach offers key advantages: it enables faster delivery of permanently affordable units, mitigates displacement, and supports smaller-scale nonprofits, such as community land trusts (CLTs). Given Berkeley's history of investing in the Small Sites Program, continuing and expanding this can advance social housing goals and support cost-effective, community-based preservation efforts.

- **Homeownership through acquisition-rehab provides equity-building for households priced out of the market.** The public subsidy is relatively low, ranging from approximately \$150,000 to \$250,000 per unit. Creating a pipeline of subsidized ownership units through acquisition-rehabilitation could be a transformative step, offering residents access to a housing stock that allows them to convert their monthly rent into equity through a modest buy-in. This approach serves as a steppingstone to traditional homeownership, allowing households to build savings, while offering long-term stability for those who wish to remain.
- **For social housing to be truly scalable, cost containment must be a central focus of new production.** Reducing development costs improves project feasibility by lowering the required public subsidy, allowing more projects to move forward. In the proforma scenarios, three cost-saving adjustments were tested: (a) eliminating land costs, (b) reducing the permanent loan interest rate from 6% to 3%, and (c) lowering construction costs by 8% to \$475 per square foot. With these adjustments, a 50/50 (market-rate/affordable) project with approximately 100 units requires about \$17 million in public subsidy, compared to \$40 million in public subsidy needed without these cost-saving measures.
- **Providing low-cost debt for social housing is a strategy for closing financing gaps and increasing project feasibility.** Currently, high interest rates have sidelined many market-rate developers, as the cost of debt significantly reduces cash flow available to equity investors, making new housing development financially infeasible. In the social housing sector, reducing long-term financing costs through lower-interest loans would allow projects to support more debt, thereby lowering public subsidies.

- **There are two different strategies for delivering social housing through new construction.** Option A involves leveraging the market by including more market-rate units to cross-subsidize lower-income units, with public funds filling the equity gap, like the model used by HOC. Option B relies on greater public investment to serve lower-income households more deeply. While Option A reduces the overall public subsidy needed, Option B delivers a lower subsidy per affordable unit and produces more deeply affordable units to address existing gaps. These approaches are not mutually exclusive. Both can be pursued by aligning roles and directing appropriate resources to the right agencies.
- **To deliver social housing at scale, especially for Extremely Low- and Very Low-Income households, Berkeley needs support from outside funding sources.** New construction is expensive, and the City cannot realistically cover the full cost without help as these projects usually rely on LIHTC and other public funding. To make a real impact, Berkeley should partner with state and regional agencies and community banks/lenders to help shape programs that support social housing.

Focus Group Feedback on Social Housing Examples

As part of the research for this report, a focus group of Berkeley residents from diverse income levels were convened to explore perceptions of social housing. Overall, the focus group affirmed broad support. Participants liked the idea of mixed-income housing and supported both new construction and acquisition-rehab approaches. They emphasized the need for housing that can adjust to changing life stages and household needs. There were questions about how tenant governance would work, and many emphasized the importance of professional property management and maintenance. Lower-income participants were open to ownership with limited or shared appreciation, while moderate- and higher-income participants were interested but wanted to see proven results first. Additional details on governance, community dynamics, and long-term stewardship are discussed in the full report.

RECOMMENDATIONS

Short-Term Recommendations

These recommendations will support the City of Berkeley advancing towards a social housing approach in the next 1-3 years:

A. Strengthen Existing Partnerships

- **Convene nonprofit housing providers** and community land trusts to discuss social housing and explore flexible, human-centered approaches. One action is to encourage collaboration among nonprofits to support transitions across their housing portfolios.

- **Strengthen partnerships with larger nonprofit developers** to support mixed-income conversions, such as BRIDGE Housing’s acquisition of the Avalon property, which will transform a market-rate project into a 50/50 mix of affordable and market-rate units.
- **Continue supporting Berkeley’s two active CLTs** (NCLT and BACLT) by providing funding for operations and projects through the Small Sites Program, and by piloting encouraging affordable homeownership projects. Assess how CLTs can expand their role advancing social housing goals and encourage them to share best practices in tenant governance to inform City policy and program design.
- **Continue to work with the Berkeley Housing Authority** to align efforts and explore joint financing opportunities.

B. Pilot Closer Alignment with Social Housing Principles

- **Promote tenant leadership:** Partner with affordable housing providers to support tenant councils and leadership opportunities, including best practices guides, training sessions, and an annual Tenants’ Governance Summit to strengthen tenant capacity and knowledge-sharing.
- **Pilot annual financial transparency meetings** on a voluntary basis in select City-funded projects, where residents receive a clear breakdown of the building’s finances, including rent collected, operating costs, reserves, and planned improvements. Modeled after Vienna’s approach to rent transparency, this promotes trust and accountability and lays the groundwork for greater tenant engagement.
- **Pilot participatory budgeting:** Test a participatory budgeting model where residents vote on their building’s operating budget, with accessible presentations, multilingual materials, and facilitated collaboration with property management to ensure informed participation.
- **Integrate into City standards:** Use findings from these pilots to inform future policy, potentially incorporating tenant governance, rent transparency, and participatory budgeting requirements into City funding agreements for affordable housing.

C. Improve Delivery and Financing

- **Continue supporting the Small Sites Program as a social housing model:** The Small Sites Program serves as a form of social housing by removing buildings from the speculative market and preserving them as permanently affordable. The City should continue funding this program, review and refine its guidelines, and identify a sustainable long-term funding source to expand its impact.

- **Encourage cost containment:** to address rising development costs, the City should promote strategies such as modular construction, smaller units, and design efficiency. The San Francisco Housing Accelerator Fund (HAF) is testing approaches to reduce per-unit costs and encourage industry innovation. The City could partner with HAF on a pilot project to demonstrate scalable, lower-cost affordable housing (see Recommendation D).
- **Identify publicly owned and underutilized sites for pilot projects,** especially those that can be offered at no or low cost.

D. Launch Pilot Projects

- **Pilot a Mixed-Income Project using CalHFA’s Mixed-Income Program (MIP).** This program is already structured to support a balanced income mix and could serve as a foundation for testing social housing in Berkeley. With a dedicated 4% LIHTC set-aside, MIP reduces reliance on local subsidies and provides long-term subordinate loans for projects serving households from 30% to 120% AMI. Berkeley should issue a Notice of Funding Availability (NOFA) to encourage the use of MIP in a new construction project.
- **Partner with the Housing Accelerator Fund (HAF) to pilot a cost-efficient social housing project** by issuing an RFP for a specific site; qualifying projects may access innovative HAF financing, enabling faster delivery without relying on competitive tax credits, especially suited for smaller unit projects serving youth or seniors.
- **Pilot a social housing acquisition-rehab ownership conversion project** by transforming a small multifamily property into a Limited-Equity Housing Cooperative (LEHC), providing a lower-cost path to affordable homeownership, building CLT and nonprofit capacity, and testing key social housing principles like tenant governance, participatory budgeting, and long-term affordability.
- **Engage actively in statewide initiatives like the SB 555 Social Housing Study** to shape policy and funding opportunities.

Mid-Term Recommendations

This set of recommendations centers on formulating an **Affordable Housing Strategic Plan**, building on the short-term strategies. The Strategic Plan should include the following components:

- **Define social housing policy goals:** Establish clear objectives for income mix, tenure types, and tenant governance; set a long-term target for social housing as a percentage of the city’s total rental stock, including goals for specific subpopulations. As part of this process, identify housing needs across life stages and conduct a University Student

Housing Needs Survey.

- **Determine the City's future role:** Social Housing models vary in terms of government capacity and role. The City should consider how to approach social housing in the future - via a continued role as a funder/facilitator or a transition towards direct public ownership and development (e.g., Montgomery County, Seattle). This evaluation should consider governance structure, staffing capacity, legal authority, and access to financing tools.
- **Conduct a sites inventory** to identify no- or low-cost land suitable for social housing development, including underutilized City-owned properties, other public agency-owned sites, religious institution land eligible under SB 4, and functionally obsolete commercial properties which may require rezoning. This inventory would differ from the recent 2023-2031 Housing Element Opportunity Sites inventory, which focused on residentially-zone land in private ownership.
- **Develop a local funding strategy to support social housing**, including options such as voter-approved bonds, parcel taxes, a high-earner employer or employee tax; also evaluate creating a revolving loan fund, similar to Montgomery County HOC's Housing Production Fund to provide flexible, public-backed financing.
- **Formalize cost controls:** Establish formal cost containment standards for social housing projects to improve efficiency and scalability, including unit size limits, per-unit cost ceilings, developer fee caps, and guidance on materials and design, building on innovations tested through partnerships with the HAF and other pilot programs.
- **Encourage innovative public financing tools to support social housing:** The City should pursue financing mechanisms like Enhanced Infrastructure Financing Districts (EIFDs) to lower predevelopment and infrastructure costs. This approach can be replicated in Specific Plan Areas to fund utilities, streets, and public amenities. By capturing future property tax growth, EIFDs can remove costs from individual projects.
- **Strengthen strategies to decommodify housing** by preserving affordability in expiring properties, embedding long-term protection in new developments, and use tools like acquisition loans and COPA or TOPA to convert market-rate units into permanently affordable, community-owned housing.
- **Formalize tenant governance** to ensure meaningful participation in decision-making. Build on pilot efforts by establishing a clear framework that includes participatory budgeting, cost-based rent transparency, and support for tenant councils. Invest in tenant education, union organizing support, and technical assistance to empower residents across all City-supported housing.

- **Design a human-centered, life-stage responsive social housing system** that supports residents from youth to old age, framing housing as a universal public good. This includes developing housing tailored to students, families, and seniors; improving flexibility in unit transitions; enhancing waitlist systems; and using branding and communications to shift public perception toward inclusive, dignified housing.

1. Introduction

The City of Berkeley has a long history of policies and programs aimed at providing affordable housing to its residents. Embodying the view that housing is a human right, the City adopted one of the first rent stabilization programs in California to offset market rent rises. However, this policy only affects the portion of the existing multifamily housing stock built before June 1980, and vacancy controls were also prohibited by a change to state law in 1995, allowing units to be re-rented at market-rates upon vacancy for subject units (with subsequent regulated rent increases for that tenant). This means that even for this portion of Berkeley’s housing stock, as rental units changed occupancy over time, rents have risen dramatically, including among the portion of housing stock subject to rent stabilization.



The City has worked to facilitate construction of new market-rate and affordable units, leveraging its Housing Trust Fund program and inclusionary ordinance to support the creation of affordable housing. Specifically, the City of Berkeley provides development loans for the new construction, acquisition, and rehabilitation of affordable housing developments via its Housing Trust Fund (HTF) program. Since 1990, Berkeley’s Housing Trust Fund program has facilitated the creation of over 1,600 affordable units and has a pipeline of over 1,400 units in development. The City’s Small Sites program, established in 2018, has supported the acquisition and rehabilitation of three rental properties, transitioning the units from the market to permanent deed-restriction units.

At the same time, over the past two decades, homeownership opportunities have slipped further from reach for many Berkeley households as sale prices have risen dramatically faster than household incomes, and Berkeley renters have become increasingly rent-burdened. These housing affordability challenges are experienced across the region, state, and country, as well as globally in regions with high housing demand. Clearly more needs to be done to address these housing crises. A new concept called social Housing has been advanced as a way to rethink affordable housing delivery. This report explores social housing and its potential implementation in Berkeley.

What is Social Housing?

Globally and in the US, as housing affordability has continued to decline, interest has grown in the concept of social housing. A review of social housing literature indicates several common principles that together define social housing as:

- **Owned by public agencies or other mission-driven organizations and permanently protected from transfer to for-profit entities.** This principle means that social housing is owned and operated by public agencies or public authorities, or by community land trusts, limited-equity cooperatives, or other mission-driven nonprofit organizations. This principle anchors social housing as a public good, aligning it with broader societal goals such as climate resilience, racial equity, universal accessibility, and long-term affordability.
- **Permanently affordable and protected from market speculation.** Access to housing must be a social good provided to all members of society, regardless of income. Permanent is defined as the entire life of the housing unit (and some definitions also include land). Affordable is defined as costing occupants, whether renters or owners (or hybrid arrangements), not more than 30% of household income to live in the unit, including utilities. Permanent decommodification goes beyond affordability by removing housing from the speculative market entirely, treating it as a public good rather than a financial asset.
- **Serves a range of incomes, reflecting the right to housing for all.** The range of incomes of eligible households to be served by social housing varies by advocacy group; while almost all advocates aim to serve households at the lowest end of the household income range, some seek limits at 80% or 100% of Area Median Income (roughly \$97,000 to \$125,000 for a two-person household), while others want to include the upper end of traditional affordable housing (up to 120% of Area Median Income), while still others advocate for a mix that incorporates higher levels of income in social housing projects (e.g., “market-rate” housing) to offset the costs of constructing and operating a building.
- **Protects tenants’ rights, offers tenant governance, and supports long-term resident stability.** Tenants should have security to remain in safe, dignified housing over time. This principle includes full protection against termination without just cause, limits on rent increases, and collaborative governance structures with meaningful tenant agency. Additional safeguards such as the right to legal counsel in eviction proceedings, inheritance rights, and building code enforcement further strengthen tenant stability.

Two additional themes are also present in some social housing literature: building sustainable housing projects (e.g., energy efficient, carbon-neutral projects), and providing housing that fully integrates social services, which can span a range of medical, mental health, job training, affordable childcare, and life skills services.

While most of these characteristics are not new concepts, together they form a vision that can guide public investment and shape partnerships with mission-driven organizations. Social housing is distinct from current housing policy approaches because it emphasizes the direct public goal of providing a necessary social good. To amplify this idea, some advocates situate social housing within a broader housing policy framework as a “public option” similar to publicly provided health insurance, meaning that social housing projects would provide a public option to select from among several options available to meet individual housing needs.

Integrating Social Housing into Berkeley’s Existing Housing Framework

As Berkeley considers social housing principles, it is important to recognize that the City already operates within a long-established housing policy framework shaped by decades of programs and funding strategies, which in turn are partially impacted by federal and state housing programs. While some of these existing policies and programs align closely with social housing ideals, others may only partially reflect those values.

This report does not assess existing programs. Instead, it takes a forward-looking approach, examining how new construction and acquisition-rehabilitation projects funded by the City could be structured to better align with social housing goals. In addition to examining social housing principles, the report includes a financial analysis of housing models that serve a range of incomes. The proforma analysis explores the trade-offs between two strategies: one that emphasizes mixed-income models to reduce reliance on public subsidies, and another that prioritizes deeper affordability to reach a broader income spectrum. Policy trade-offs are presented to help inform the City’s decisions on future housing investments.

For the other social housing principles, this report draws on case studies, particularly from European systems with more mature social housing traditions, as well as a description of the Montgomery County (Maryland) Housing Opportunities Commission, which provides a domestic example of a public agency moving in this direction.

This report is intended to support ongoing discussion about Berkeley's housing policies and how social housing principles could be integrated into future approaches. Simultaneously with this report, the State of California through the Turner Center for Housing Innovation (UC Berkeley) is studying social housing from a statewide perspective, amidst a backdrop of pending budget cuts to federal housing programs. Thus, this report can be considered as a head-start on preparing locally for potential changes to the statewide system of affordable housing unit delivery.

Report Organization

This report begins with a summary of recent Berkeley housing trends and current conditions, including an overview of Berkeley's current affordable housing delivery system. Next, the report profiles international and US examples of social housing programs, followed by a detailed analysis of two example sites in Berkeley that could be developed according to social housing themes in the near term. This on-the-ground analysis of two sites includes financial analysis of a range of income mixes, along with the results of a Berkeley residents' focus group with participants from across the income spectrum. The report concludes with a summary of potential strategies that the City can take to implement social housing policies.

A detailed description of the research methodology used to prepare this report can be found in Appendix A.

2. Berkeley's Current Housing Conditions

This chapter summarizes Berkeley's demographic and household trends, along with current housing supply patterns that have resulted in high housing cost burdens, underscoring the need for more affordable units in Berkeley. Detailed data is provided in Appendix B.

Demographic and Household Trends

Population and Households

Berkeley's population and household growth trends are complicated by the presence of numerous on- and off-campus student housing facilities.

- Berkeley's total population grew substantially between 2000 and 2023 (adding 16,219 people, a 16% increase). This growth included more than 7,500 new residents living in on- and off-campus housing classified as "group quarters."
- When just examining the growth of people living in households (not in group quarters), Berkeley grew by 3% for the 23-year period, which was similar to Alameda County's growth (4%).
- Between 2000 and 2023, Berkeley saw notable population shifts by age group. The number of young adults (aged 18-24) expanded by 11,285 people (a 51% increase) while the senior population (aged 65+) grew by 9,601 people, a 92% increase, as boomers aged in place. Currently, almost one-fifth of Berkeley's residents (20,000 people) are seniors aged 65+.
- Berkeley's current average household size (2.15 persons in 2023) is markedly smaller than for Alameda County (2.78) and the Bay Area region (2.59).
- In 2023, approximately 24% of Berkeley's households earned \$35,000 or less, compared to just 16% of the County's and 14% of the region's households.¹
- In Berkeley, like for most California communities, there is a distinct difference between household incomes for renters and owners. In 2023, the median renter household income was \$62,000, compared to the median owner household income of \$170,000.
- Berkeley's homeownership rate (41% in 2023) is significantly lower than Alameda County (54%) or the region (56%). Also, even though Berkeley added homeowners since 2000, most of its growth was in renter households, causing a slight decline in overall ownership rates from 2000 to 2023.

¹ Data describing household incomes in Berkeley can be difficult to fully evaluate due to the presence of university students, who are included in Berkeley Census data, but may have limited reportable income during their temporary university attendance.

Housing Affordability

There are many ways to describe the affordability challenges in Berkeley. The table below provides a general indicator of housing affordability by tenure. In 2000, the median sale price of a single-family house was \$437,00, requiring a household income of \$105,000 to purchase. At that time, the actual median income of homeowners in Berkeley was \$158,000, meaning that many owners could afford to buy the median priced house. In contrast, by 2023, the household income needed to buy the median single-family home was \$314,000, well out of reach of the 2023 median homeowner income of \$170,000. This reflects a broader trend: household incomes have not kept pace with the rapid appreciation of home prices.

The situation is different for renter households. In 2000, the income needed to afford the median rent was about \$65,000, somewhat above the actual renter household median income at that time (\$54,000). By 2023, this gap had widened further for renters: an income of \$106,000 was needed to afford the median rent, while actual renter household median income was just \$62,000, indicating that many renter households were likely severely cost-burdened.

Table 1: Comparison of Median Berkeley Median Household Incomes & Prices, 2000 – 2023

(Not inflation-adjusted)

Owners	2000	2023
Single Family Median Home Price (a)	\$ 437,156	\$ 1,452,854
Household Income Needed to Afford Median Single Family Home (b)	\$ 104,667	\$ 313,932
<i>Actual Median Income - Owners</i>	\$ 157,877	\$ 169,878
Renters		
Median Effective Market Rate Rent (c)	\$ 1,616	\$ 2,663
Household Income Needed to Afford Median Effective Rent (b)	\$ 64,640	\$ 106,520
<i>Actual Median Income - Renters</i>	\$ 53,739	\$ 61,525

a) Price from Zillow Home Value Index, which tracks a typical home value in the 35th to 65th percentile range.

b) Ownership calculation assumes spending 35% of income on housing costs and interest rate at the time, per Federal Reserve data. Rent calculation assumes spending 30% of income on housing costs, mortgage interest rate for the relevant year, using data from the Federal Reserve.

c) CoStar's effective market rent represents the average rent tenants paid, adjusted for rent concessions. Data is for rental properties tracked by CoStar in Berkeley.

Sources: Zillow, 2025; Costar, 2025; Federal Reserve Bank of St. Louis, 2025; The Housing Workshop, 2025.

Affordable Housing Income Limits

A key metric used to plan affordable supply is the distribution of household income by “income limits,” which are categories of household income defined by the Area Median Income (AMI) and the relationship above or below this number. Area Median Income is defined annually by the US

Department of Housing and Urban Development (HUD) as the median household income for each county in the US for a family of four and then adjusted up or down for larger or smaller household sizes.

Alameda County’s 2024-25 Income Limits are shown below.² California’s Department of Housing and Community Development publishes these income limits by household size, which are then used to determine maximum affordable housing costs (rent plus utilities) based on a household spending 30% of its income on housing.

Table 2: Alameda County AMI Income Limits & Maximum Housing Costs, 2024-25

Alameda County Household Income Limits 2024-25				
Household Size	Extremely Low Income (15-30% AMI)	Very Low Income (30-50% AMI)	Low Income (50-80% AMI)	Moderate Income (80-120% AMI)
1	\$ 32,700	\$ 54,500	\$ 84,600	\$ 130,800
2	\$ 37,400	\$ 62,300	\$ 96,650	\$ 149,500
3	\$ 42,050	\$ 70,100	\$ 108,750	\$ 168,150
4	\$ 46,700	\$ 77,850	\$ 120,800	\$ 186,850

Alameda County Max Monthly Housing Cost (Rent + Utilities) 2024-25				
Unit Size	Extremely Low Income (15-30% AMI)	Very Low Income (30-50% AMI)	Low Income (50-80% AMI)	Moderate Income (80-120% AMI)
Studio	\$ 818	\$ 1,363	\$ 2,115	\$ 3,270
1 Bedroom	\$ 935	\$ 1,558	\$ 2,416	\$ 3,738
2 Bedroom	\$ 1,051	\$ 1,753	\$ 2,719	\$ 4,204
3 Bedroom	\$ 1,168	\$ 1,946	\$ 3,020	\$ 4,671

Unit size based on 1 person household in studio, 2 person household in 1 bedroom, etc.
Housing cost based on 30% of income for housing (rent and utilities)
Max housing cost can vary slightly, depending on each funding program's regulations.

Source: CA Department of Housing & Community Development, 2025.
<https://www.hcd.ca.gov/sites/default/files/docs/grants-and-funding/income-limits-2025.pdf>

² The 2025-26 Income Limits were published by CA HCD in early May 2025, after most of this draft was completed. The financial analysis in this report is based on the 2024-25 limits and are thus shown here.

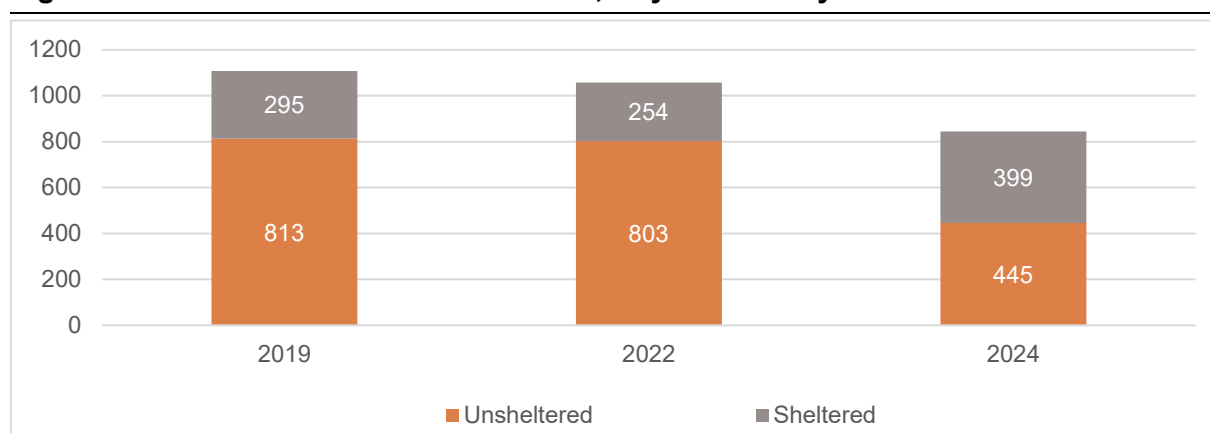
Critical Housing Needs

Berkeley’s widening gap between incomes and the high cost of rent and homeownership has created urgent housing challenges for the unhoused, extremely low-income households, low-income seniors, and Black households. The following section describes these critical needs. Detailed data for Berkeley, Alameda County, and the region can be found in Appendix B.

Critical Unmet Housing Need: Unhoused Residents

As a result of the high cost burdens relative to household income, many people experience being unhoused in Berkeley. The graph below shows the Point-in-Time (PIT) count, conducted every two years. Unhoused people are counted on a specific day by trained volunteers. The counting methodology includes identifying people both in sheltered situations (e.g., emergency shelters or similar), and unsheltered (e.g., sleeping in cars/RVs, on the street, etc.).

Figure 1: Point-in-Time Unhoused Census, City of Berkeley 2019-2024



Note: Every 2 years, communities conduct counts of people experiencing both sheltered and unsheltered homelessness. The 2024 Alameda County Point-in-Time (PIT) Count was a community-wide effort conducted on January 25, 2024. Source: Alameda County Homeless Count & Survey, 2024; THW, 2025.

The most recent PIT indicates an improvement in the number of unhoused people, declining from 1,108 people in 2019 to 844 in 2024 (a decrease of 24% for the 5-year period). The data also shows improvement in the sheltered subset, increasing from 295 people in 2019 to 399 people in 2024 (an increase of 35% provided with sheltered accommodation) and a 45% decline in unsheltered persons over the same period. Nevertheless, more work needs to be done.

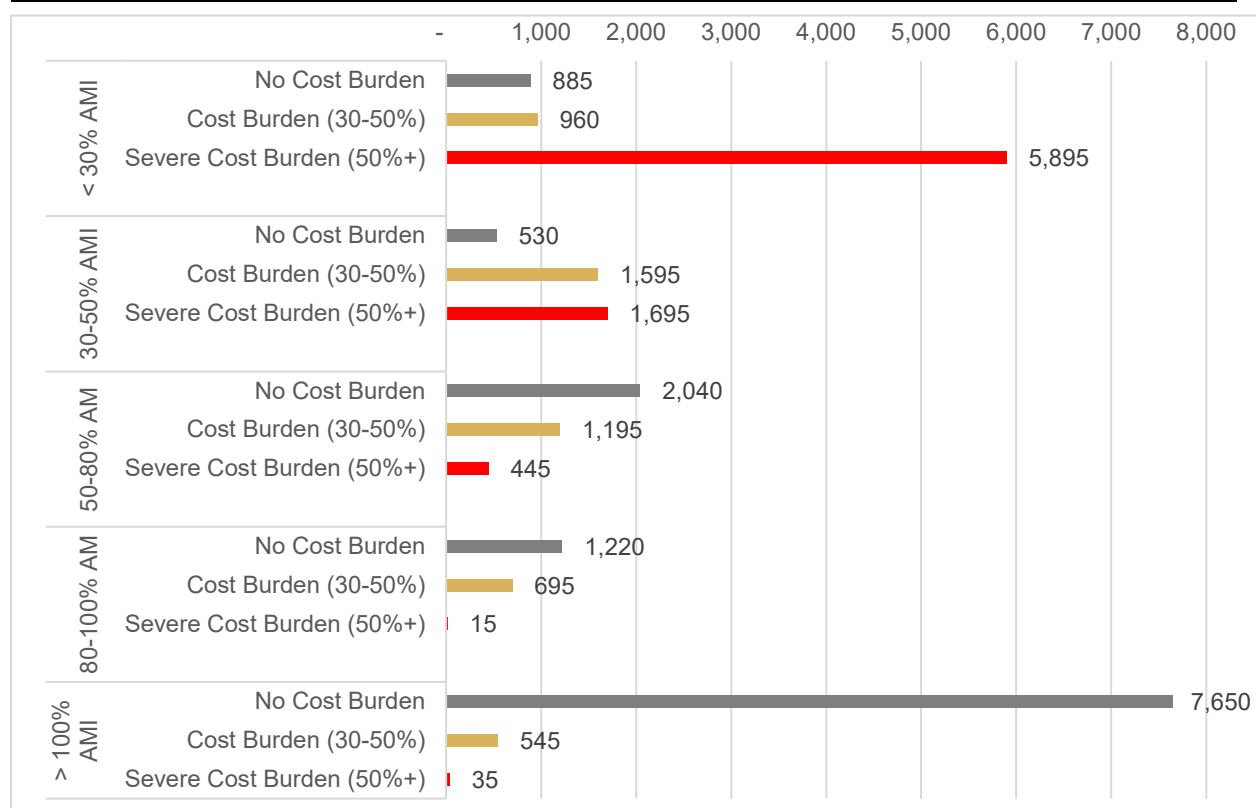
Two additional findings from the Alameda County Homeless Count & Survey, 2024 for Berkeley included that 12% of people counted were aged 65 or over, which aligns with the high cost burden among seniors with low incomes outlined later in this report. In addition, almost 43% of the people counted in Berkeley identified as Black, a disproportionate share compared to the Black/African American population in Berkeley and Alameda County.

Critical Need: Extremely Low-Income Households with Severe Cost Burdens

A key metric to identify unmet affordable housing need is housing cost burden, which means the percentage of household income paid towards rent (or mortgage) plus utilities. Housing policy analysts consider paying more than 30% of household income for housing as a cost burden, indicating lack of affordability. When a household pays more than 50% of household income for housing, analysts consider this a severe cost burden, placing the household at risk of eviction and/or homelessness, particularly in the lowest levels of income.

The graph below combines 2020 renter household incomes compiled by AMI segments with reported housing costs in 2020, to derive an estimate of renter households that were cost-burdened or severely cost-burdened.³

Figure 2: Cost-Burdened Renter Households in Berkeley, 2020



In 2020, of the 7,740 Extremely Low-Income (ELI) renter households in Berkeley, nearly 5,900 were severely cost-burdened, and another roughly 1,000 households were cost burdened

³ CHAS (Comprehensive Housing Affordability Strategy) data lags because it is based on the U.S. Census Bureau's 5-year American Community Survey (ACS) estimates, which aggregate responses over multiple years to ensure statistical reliability. While this metric is somewhat dated in 2025, it is likely that the picture it provides is still valid or even more critical, given continued trends in wealth concentration, rent and sale price increases, and inflation.

(paying 30-50% of income to rent). Altogether, about 89% of ELI households, or nearly 7,000, face a substantial risk of homelessness and are in critical need of housing assistance.

Similarly, among the 3,800 households earning between 30-50% AMI (Very Low Income), almost 1,700 households were severely cost-burdened, and another almost 1,600 households were in the less severe cost-burdened category. In total, about 86% of VLI households, or nearly 3,300 households faced critical housing needs.

In total, among the 0-50% AMI renter households, over 10,000 households were facing particularly challenging rental housing financial burdens, resulting in critical housing insecurity. It should be noted that although this data is 5 years old now, it is likely this picture has not changed substantially because rent and utility costs (along with the overall cost of living) have risen since 2020, while income increases among lower income households have stagnated for many, resulting in a likely larger critical housing need for assistance in Berkeley.

Spotlight on Seniors' Housing Cost Burden

An important subset of Berkeley's cost-burdened households are residents aged 65 and over. Many senior households are on fixed incomes in retirement (e.g., Social Security) and cannot respond easily to rising housing costs. As the population continues to age, this challenge is likely to intensify.

Berkeley saw significant growth in its senior population between 2000 and 2023, with residents aged 65 and older increasing from 10,484 to 20,085, a 92% rise. Similar trends occurred in Alameda County and the broader region, reflecting national patterns as the large "boomer" generation ages into senior cohorts.

In 2020, over 1,045 senior ELI renter households in Berkeley were severely cost-burdened, and another 535 ELI households were classified as cost-burdened. Senior households represented a disproportionate 23% of all cost-burdened renter households in this income group. Many senior renters in Berkeley need additional housing assistance to reduce their cost burdens and risk of homelessness. A social housing delivery system should account for the needs of this age group, including specialized unit designs that support aging in place and a range of supportive services for older adults.

Critical Unmet Housing Need: Black/African American Population and Household Loss

Another important aspect of unmet housing needs is tied to the marked decline of Berkeley's Black/African American population. Between 2000 and 2023, the number of Black/African American residents fell from 13,700 to 8,415, a 39% decrease. In contrast, the Hispanic/Latino population grew by 30%, adding over 13,000 residents. The White population remained relatively stable, while the Asian population increased by more than 12,600, a 75% rise.

Berkeley's racial/ethnic population changes were echoed in Alameda County and the region. For Black/African American residents, Alameda County also saw an absolute decline from 2000-2023 (dropping by 31%). The Bay Area region also experienced a similar decline, although to a lesser extent, dropping almost 20% in the same period.

The decreases in Berkeley's Black population translated into shifts in housing patterns for households with a Black head of household. Although the overall loss of households totaled 40%, the patterns varied by tenure. For Black renter households, the greatest rate of decline was in the 80%+ AMI income level. For Black owner households, the loss was greatest in the 30-50% income band, but also substantial across all income segments. In summary, Berkeley lost Black homeowners at a faster rate than Black renters between 2020 and 2023, resulting in a decrease in Black homeownership rates from 40% to 32% (see Appendix B for detail).

These shifting housing patterns and impacts on the Black/African American community in Berkeley are important because they relate directly to a history of displacement and discrimination in mortgage lending dating back decades. One step toward reparations has been to adjust the City's affordable housing preference system, to prioritize households affected by displacement. If Berkeley shifted to a social housing framework, and enhanced its affordable homeownership offerings, this could expand approaches to reparations.

Berkeley's Current Affordable Housing Delivery System

The City of Berkeley operates a number of affordable housing programs devoted to the preservation of existing housing stock, the production of new affordable housing stock, and the protection of tenants. The following summarizes key existing programs.

Rent Stabilization

Berkeley voters passed the Rent Stabilization and Good Cause for Eviction Ordinance in 1980, and voters passed a Charter Amendment to establish the Rent Stabilization Board in 1982. From 1980 to 1998, rents in units built prior to 1980 were permanently controlled so that the

rents did not change when new tenants moved in. Since the Costa-Hawkins Rental Housing Act went into full effect in California in 1999, landlords have been able to establish initial rents for new tenancies at market-rates (called “vacancy decontrol”).

Until 2024 when Measure BB was passed by the voters, the Rent Stabilization Ordinance (RSO) applied to approximately 21,500 units in multi-family properties built before 1980, and another 6,000 units not subject to rent stabilization were still covered by the just cause eviction regulations in the Ordinance. About 19,000 of these units were required to register at any given time and the other 2,000 units were temporarily exempt. According to analysis conducted during the drafting of the City’s most recent Housing Element (2023), approximately 90 percent of registered rental units in Berkeley had changed occupancy since 1999, while 10 percent have retained long-term tenants.⁴

Measure BB (2024) changed some of these rules, creating a “fully covered” category of units built before 1980 that are covered by all aspects of the Ordinance including rent control. Measure BB now requires single family homes and condominiums that are rented to also register, along with newer rental units built since 1980 are now considered “partially covered” because the eviction and tenant protection regulations in the Ordinance apply. In addition, some of the formerly exempt federally funded or state-funded rental units (typically serving lower income households) in Berkeley may now be partially or fully covered, depending on the federal or state rules applicable to the unit.

Housing Trust Fund

The City of Berkeley’s Housing Trust Fund (HTF) program supports the creation and preservation of affordable housing in Berkeley. Federal funds from the HOME Investment Partnerships Program (HOME) and the Community Development Block Grant (CDBG) are combined in the HTF with local sources such as commercial linkage fees, new market-rate housing fees paid in lieu of providing inclusionary units, and condominium conversions. Funds for HTF can also be expanded at any time, such as the 2018 Measure O voter-approved bond measure (\$135M) or state and federal grants. The City Council can also allocate General Fund revenues to HTF, such as those generated through Measure U1.

Small Sites Program

In 2018, the City of Berkeley adopted guidelines for a Small Sites Program and allocated funding to it from the City’s Housing Trust Fund. The program was established to fund the acquisition and renovation of small (i.e., 2 to 25 unit) existing multifamily projects not utilizing

⁴ City of Berkeley. *2023–2031 Housing Element*. Amended February 17, 2023. Page 114. Adopted by City Council Resolution No. 70,669-N.S.

Low Income Housing Tax Credits. The program functions as an over-the-counter funding source, with expedited review and award to facilitate purchase of existing properties on the open market. A secondary purpose is to support the conversion of properties subject to rent stabilization, to ensure these units are rent-restricted (e.g., affordable) for 55 years, compared to California law allowing vacant units to be re-rented at market-rates, which usually occurs for most rent-stabilized units in a shorter time frame. The program can also be used to convert rental housing to a limited-equity co-operative, which provides low-cost ownership to its occupants. The amount of city subsidy available per unit from this program is \$375,000 for buildings with 2-9 units, and \$300,000 for buildings with 10-25 units. Funds are structured as a loan to be repaid from residual receipts, meaning remaining net income after debt service, which may occur in stable properties in future years.

This program aligns well with the goals of social housing, especially in the realm of preservation, because the existing Small Sites Program requires buildings to have an average affordability of 80% AMI, although the City can approve limiting all incomes to 80% AMI. To date, this program has funded the acquisition and rehabilitation of four rental properties, transitioning the units subject to market forces to permanently deed-restricted affordable housing.

In 2024, Berkeley's City Council allocated \$10M over the next two years to expand the Small Sites Program. Due to its focus and benefits of renovating housing stock and creating permanently affordable units, the Small Sites program offers one pathway via additional funding expansion to promote mixed-income (e.g., social housing) conversions of existing smaller properties, and could be structured so that the City retains ownership or provides the funding to eligible nonprofit housing organizations as the current program guidelines facilitate.

Berkeley Housing Authority / Affordable Housing Berkeley, Inc.

The Berkeley Housing Authority (BHA) manages federal housing programs within the City. Unlike larger Public Housing Authorities (PHAs), the BHA currently does not own any housing units; its portfolio of 75 scattered-site units was sold to a private developer in 2014. Its primary function at present is to administer two types of vouchers, including project-based (dedicated to a unit) and tenant-based (assigned to a renter to use in the market). Recent data reported by BHA shows that it administers 1,600 vouchers (combined total) providing \$400M per year to local landlords on behalf of tenants.

In 2021, the BHA Board established a nonprofit entity, Affordable Housing Berkeley, Inc. (AHB), to serve as a nonprofit development subsidiary of BHA. Prior proceeds from the sale of BHA's properties as well as other financing mechanisms such as BHA's bonding authority could be used to develop new affordable housing in Berkeley, as discussed further in Chapter 7.

Additional Berkeley Housing Programs

The City of Berkeley has adopted numerous additional programs related to the preservation of existing housing stock and tenant assistance including rehabilitation loans for senior and disabled homeowners, a housing retention program to help tenants stay in units, a rental housing safety program, and initiatives to support rehabilitation of existing affordable housing projects. More information can be found on these programs on the City's website at: <https://berkeleyca.gov/community-recreation/affordable-housing-berkeley>.

Major City Initiatives for New Affordable Housing Production

In addition to ongoing financial and program support for the preservation of existing units (via the Small Sites Program), the financial support for new affordable production across numerous 100% affordable projects (via the Housing Trust Fund program), the production of affordable units in market-rate projects through the City's Inclusionary Ordinance, and the Rent Stabilization Ordinance, the City has been working on two large sites with special planning processes: North Berkeley BART and the Adeline Corridor Specific Plan/Ashby BART.

North Berkeley BART

The City of Berkeley has worked collaboratively with the Bay Area Rapid Transit District (BART) and local community members to plan for development of the eight-acre North Berkeley BART surface parking lot into 739 units of transit-oriented housing. A consortium of developers including Avalon Bay (market-rate) and several nonprofit housing developers (BRIDGE Housing Corporation, East Bay Asian Local Development Corporation, and Insight Housing) have received plan approvals to build 381 subsidized affordable rental units and 358 market-rate units in phases in 13 buildings ranging from three to eight stories. In 2021, the City reserved \$53M of its Housing Trust Fund to subsidize the North Berkeley BART and the Ashby BART affordable housing.



Adeline Corridor Specific Plan and Ashby BART

In December 2020, the City of Berkeley adopted the Adeline Corridor Specific Plan, which defines the Adeline Corridor plan area as all frontage properties and in some cases one block deep along Adeline Street in South Berkeley. The northern boundary is Dwight Way, and the southern boundary is just south of 62nd Street where the Oakland city boundary meets Berkeley.

This Specific Plan, which was developed over many years with extensive community outreach, seeks to revitalize the corridor and address many years of policy that impacted the Black community centered in South Berkeley. The Specific Plan involves incentivizing development through a local density bonus program along the corridor, while at the same time committing to a Plan wide goal that at least 50% of all new housing in the corridor will offer rental and ownership housing at affordable levels across all income segments including those with the lowest income and the greatest need. While the Specific Plan provides extensive density bonuses by subarea intended to incentivize inclusion of affordable housing in mixed-income projects (aimed at the VLI and LI segments), it does not detail implementation strategies to achieve the overall corridor affordable housing goal.⁵

This Adeline Corridor Specific Plan represents a significant step towards social housing because it expressly increases the current Inclusionary Ordinance goal (with a 20% affordable housing requirement for all new construction) to an incentivized “half and half” mixed-income vision for a delineated area with substantial redevelopment potential. While it does not require this half and half income mix for specific parcels, it nevertheless underscores Berkeley’s policy direction toward revitalization, anti-displacement, reparations, and transit-oriented development.

A key developable subarea within the Adeline Corridor Specific Plan is the Ashby BART station’s surface parking lots. The City of Berkeley and BART have been engaged in a multi-year process to plan for the redevelopment of surface parking lots at the Ashby BART station into a mix of affordable and market-rate units. In late 2024, after extensive planning and agreements between the City and BART to simplify ownership of two parcels and an older air rights agreement, both agencies jointly issued an RFP (due March 3, 2025) to solicit developers to build at least 600 units on the larger west parking lot, with a commitment that least half of the first 600 units will be affordable (supported by the prior City funding commitments). The City negotiated an exchange agreement with BART that will facilitate the City’s control of the site’s east lot. The agreement established that a future project will provide at least 35% affordable units on site, with a goal of 50%. A set-aside of at least 20% of the 35% affordable minimum will be reserved for Extremely Low-Income households (30% AMI). Priority for the remaining units is intended for Very Low Income (50% AMI) and Low Income (80% AMI) households.

⁵ See: <https://berkeleyca.gov/sites/default/files/2022-03/Adeline-Corridor-Specific-Plan.pdf>

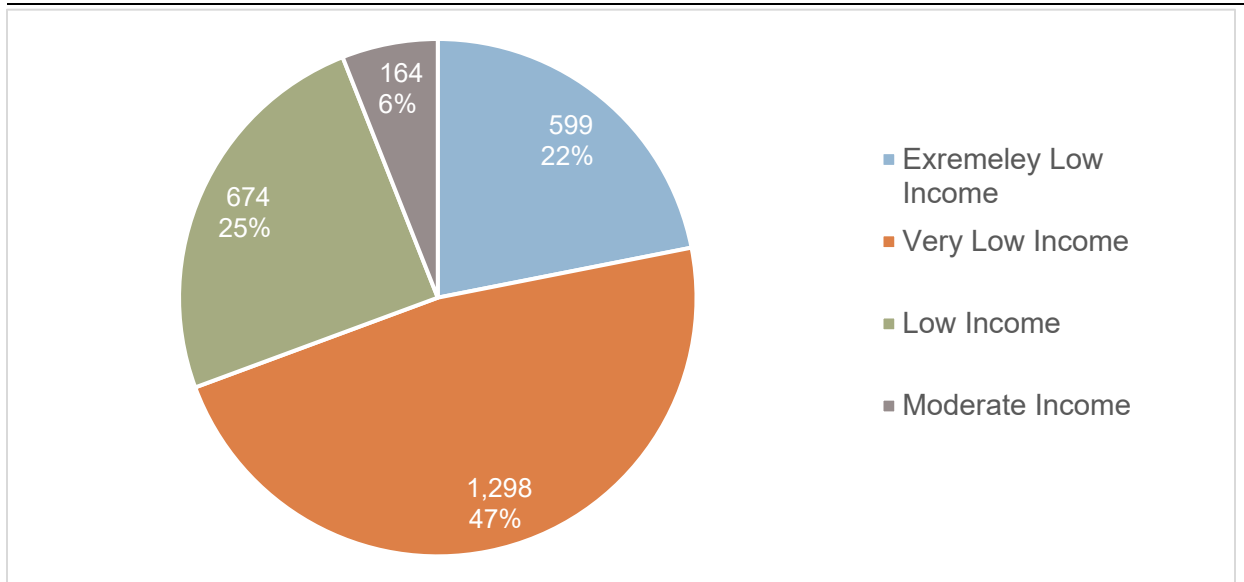
Affordable Housing Supply

This section profiles the current Berkeley affordable housing inventory, along with a summary of Berkeley’s historic and current progress meeting its Regional Housing Need Allocation (RHNA).

Affordable Housing Inventory in Berkeley

Through Berkeley’s current affordable housing delivery system, the inventory of rent and sale price-restricted units has grown substantially over the past decades, resulting in a total inventory of 2,736 units through Spring 2025.⁶ This inventory represents approximately 9% of the 2023 occupied rental units in Berkeley, which is an extraordinary achievement in the face of our national and state-level fragmented affordable housing system. Almost half of these units serve Very Low-Income households, largely because of the availability of Low-Income Housing Tax Credits (LIHTC) and Berkeley’s inclusionary income targets, which align with this AMI category.

Figure 3: Berkeley's 2025 Affordable Housing Inventory (Restricted Rents/Sale Prices)



Data based on Berkeley's 2023-2031 Housing Element, updated by City of Berkeley for this report.
Source: City of Berkeley, 2025.

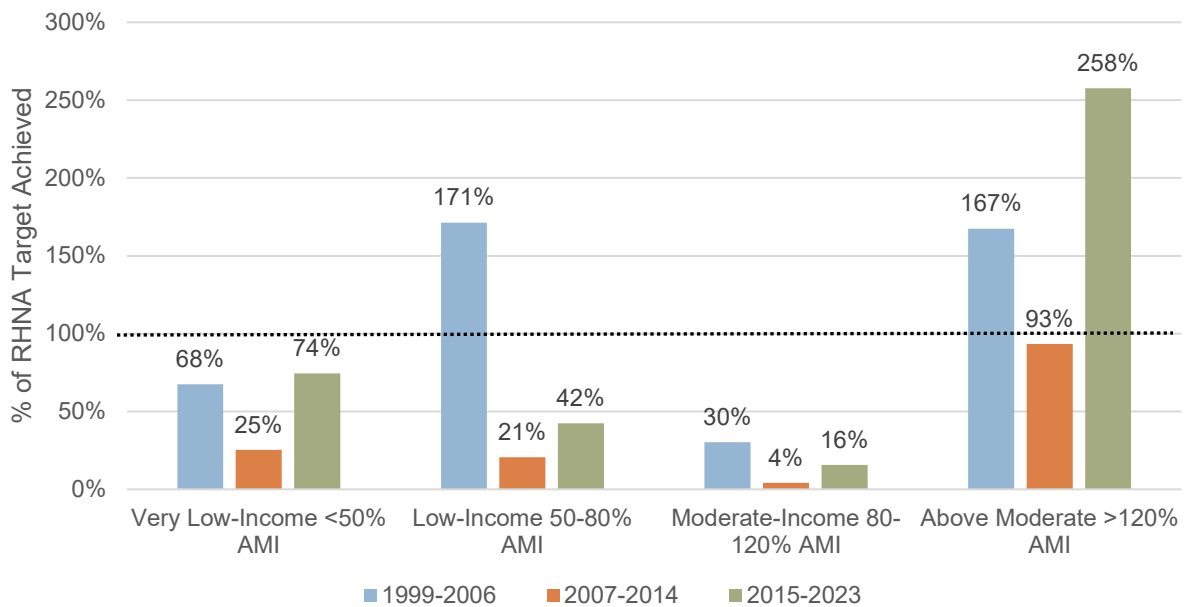
Additions to this inventory, currently under construction, or committed to through Measure O fund reservations, will add additional units to the inventory in the next several years. However, this inventory will not meet the housing needs as outlined in this report without increased funding, streamlined delivery systems, and/or major paradigm shifts.

⁶ All but 14 of these units are rentals, with 14 affordable ownership units created through Berkeley's Inclusionary Ordinance.

Progress Meeting Regional Housing Needs Allocation (RHNA) for Affordable Units

The State of California, in collaboration with each regional council of governments, allocates housing production goals by income band to every local jurisdiction on an eight-year cycle. These goals are intended to remedy past shortfalls in housing production and to plan for future population growth across income bands. Numerous state laws and eligibility for state funding are tied to reaching RHNA production goals.

Figure 4: Berkeley's Housing Production Compared to RHNA Goals by Cycle, 1999-2023



Berkeley's long-term commitment to affordable housing, including the \$135 million Measure O bond and over \$50 million in local funds, has enabled the City to make significant progress toward its VLI targets in past RHNA cycles. These investments, along with rent stabilization, seem to be having a measurable impact. Between 2000 and 2020, the number of cost-burdened VLI renter households rose by 34% in the Bay Area and 22% in Alameda County, but only by 5% in Berkeley, suggesting the city's policies are helping to mitigate affordability pressures.

In the current 2023–2031 RHNA cycle, Berkeley has seen slower permitting in its first two years. However, upcoming projects, such as new affordable housing at the North Berkeley and Ashby BART stations, could help the city meet or even surpass its RHNA targets. Still, new production relies heavily on the nonprofit sector's ability to secure land and financing, often through Low-Income Housing Tax Credits (LIHTC), a funding source that faces ongoing constraints and competition.

Challenges with Low Income Housing Tax Credits

One of the main sources of financing for new affordable rental housing (as well as the acquisition-rehabilitation of larger apartment complexes) is the Low-Income Housing Tax Credit (LIHTC). While this program, initially authorized by the US Treasury in 1986, has spurred a robust nonprofit professional housing development industry in California, advocates of social housing often criticize its shortcomings.⁷ Many critiques of LIHTC projects and developers can be found in US social housing literature, some of which do not directly apply to developers or projects resulting from California's allocation system or requirements.

The following is an adapted summary of critiques that may apply to the LIHTC system as experienced in Berkeley:

- **LIHTC Projects Focus on a Narrow Part of All Housing Need.** LIHTC involves applying for either 9% or 4% credits, which in turn must meet certain eligibility rules, and then because there is extremely high demand for available LIHTC credits in any given year, projects must score very high on numerous criteria in order to be competitive. The effect of the LIHTC allocation system is that receiving an allocation is time consuming, risky, and very prescriptive in terms of serving just rental units within a band of roughly 30-80% AMI (mostly averaging below 60% AMI in California).
- **LIHTC Projects Require Complex, Costly Financial Arrangements.** The cost in terms of both professional fees and time to obtain multiple layers of additional subsidy to fill financing gaps for LIHTC-funded housing makes this method expensive. Additional subsidies with many layers (often including 5-8 other subsidy sources) are challenging to obtain, package, and time efficiently.
- **Lack of Permanent Affordability.** In California, LIHTC projects are required to maintain affordability for 55 years under regulatory agreements that set income and rent limits based on AMI. In many other states, these affordability periods are even shorter).
- **Developer Fees.** Due to several rule changes over time, LIHTC developer fees today are rising to levels approaching profit margins for for-profit developers building market-rate projects. While there are many good reasons for these fees to support developer overhead, and other arrangements frequently defer much of the developer fee until later in the project (providing a form of gap financing), some critics fear that this trend is opposite the goal of decommodification.

⁷ It should be noted that the Bay Area's high-cost cities, including Berkeley, have benefited from implementation of LIHTC in a thoughtful, sophisticated way, by the region's many active, professionalized nonprofit developers.

Many dedicated practitioners in the LIHTC sector have also sought reform of this system over the years. Advocates have debated proposals to lengthen the deed restriction period towards permanence, streamline the application and receipt of the credits in a coordinated system with other state subsidy programs, and raise the US Treasury limit on total tax credits allowed to be used annually in each state. Some policy analysts have also proposed a similar tax credit for middle income ownership housing, which would be less substantial per unit, but may stimulate production of small single-family homes, ownership ADUs, and small multifamily condominium projects in single family infill areas.

While federal and state housing policies may soon undergo reform, this mechanism is nevertheless likely to remain in place, playing a key role in providing external funding to Berkeley's affordable rental programs. Shifting to a social housing paradigm, encompassing, and building upon LIHTC while realizing its shortfalls in Berkeley, is a short-term practical approach,

Challenges with Inclusionary Housing Units

A portion of Berkeley's affordable housing inventory is produced through its Inclusionary Housing ordinance, which requires that 20% of units in a market-rate housing project be set aside at affordable rents or sale prices. Developers may satisfy this requirement by paying an equivalent in-lieu fee or using a combination of both approaches to comply with the ordinance.

Inclusionary housing programs, by design, rely on the pace and scale of market-rate housing production since the market-rate developer must satisfy the inclusionary ordinance to obtain entitlements. However, market-rate housing development is cyclical and depends heavily on economic conditions such as interest rates for debt financing, land and construction costs, market-rate rents/sale prices that create profit for the developer, and a host of other factors. When these factors shift unfavorably, market-rate projects may be delayed or canceled, leading to slowdowns in the production of inclusionary affordable units.

A social housing approach, in general, would not rely on the inclusionary housing tool, and in fact, can function in a counter-cyclical way; when market-rate production is down, or other economic conditions are contributing to a less favorable private investment climate, these moments offer opportunities for a publicly-owned or mission-driven housing entity to acquire built units inexpensively, and/or acquire entitled proposed projects, or other strategies that counterbalance market forces.

Social Housing: A Paradigm Shift

The City of Berkeley has a long track record of adopting progressive policies aimed at expanding affordable housing and protecting tenants, yet critical housing needs remain. Social housing represents a paradigm shift, prioritizing mixed-income communities, providing permanent affordability, community stability, and equitable access. It challenges the prevailing investment-driven paradigm and seeks to realign housing policy with broader social and economic equity goals. Several elements will require shifts in policy approaches, including:

- **Transitioning to a social housing paradigm will require substantial public investment and a fundamental shift in how housing is produced and financed.** Redirecting new housing construction toward social housing means reorienting a larger share of production to serve a broader mix of incomes, particularly prioritizing lower-income households who are underserved by the current market-driven system, which primarily targets those who can pay the most. Achieving this requires a range of strategies led by the public sector, including reducing land costs, lowering construction expenses, and securing a stable, long-term source of public subsidy to close financing gaps. Two core principles of social housing emphasize serving a range of incomes and ownership by public agencies or mission-driven nonprofits: because public and community ownership enables housing to be developed and managed in the public interest rather than a private profit-driven model.
- **In addition to new construction, advancing a social housing framework also requires strategies to establish permanent affordability and reduce the profit-driven dynamics within the existing housing stock.** Decommodifying housing involves implementing policies that promote permanent affordability, community control, and tenant stability. The other social housing pillars focus on permanent decommodification, tenant protections, ownership by public or mission-driven organizations, and resident governance.
- **Determining the appropriate scale for implementing social housing, whether at the city, regional, or state level, remains an open question and depends on a range of interrelated factors.** While local jurisdictions like Berkeley can play a critical role, the effectiveness and scalability of social housing initiatives are closely tied to funding and the alignment of policy authority across levels of government. A more robust and coordinated approach would require state and federal leadership to establish consistent funding streams and supportive regulatory frameworks. Regardless of the level at which implementation occurs, successful social housing efforts will require agencies with the financial capacity to support new construction, the authority to acquire and manage land for public or community ownership, and the institutional scale to align public investment, planning, and policy tools in support of long-term affordability and decommodification.

4. Social Housing Case Studies

European countries have established long-standing social housing models that offer useful lessons on ensuring affordability and housing stability. As U.S. housing programs face increasing challenges, interest in adapting these approaches has grown. This chapter presents examples from Vienna and Denmark, as well as Montgomery County (MD) and other emerging US initiatives, highlighting key features that may inform Berkeley’s housing strategies.

Vienna, Austria

Vienna is consistently ranked among the world’s most livable cities, due partly to its commitment to housing as a fundamental human right. Vienna’s globally recognized model for high-quality, affordable housing began as a grassroots response to post-WWI shortages. Today, the city maintains this tradition through an integrated housing system that combines municipal ownership, nonprofit housing associations, affordability regulations, and support for tenants.



Vienna’s Housing Finance Model

Vienna’s unique status as both a city and a state gives it strong control over housing finance, supported by Austria’s progressive tax system, which includes a 1% housing tax on salaries split paid by employers and employees. In 2020, Vienna allocated \$440 million to social housing initiatives. About 81% supported construction and rehabilitation, while 19% went to tenant-based subsidies, reflecting a strategy that tackles both shortage of affordable supply and the income gap that prevents households from affording housing.

The Role of Limited Profit Housing Associations (LPHAs)

Vienna’s social housing model has evolved from direct municipal construction to a partnership approach. The city once built and managed all public housing, known as *Gemeindebau*, and today still owns about 220,000 units, 23% of the housing stock. Since the 1980s, Limited-Profit Housing Associations (LPHAs) have become the main developers of affordable housing. Regulated under national law, LPHAs are nonprofit, reinvest surplus revenue, and now manage around 180,000 units. Combined with municipal housing, social housing makes up 43% of Vienna’s housing and serves over 60% of residents. Strict oversight ensures LPHAs maintain

affordability and financial stability.

Keeping Costs Low: Land Banking and Public Infrastructure

Vienna reduces affordable housing costs through public investment in land and infrastructure. *Wohnfonds Wien*, a quasi-government nonprofit, strategically plans ahead for growth, acquires and banks land, leasing or selling it to LPHAs at below-market rates. Vienna also covers most infrastructure costs, such as transit, schools, and parks, reducing the burden on developers. In contrast, California relies on developer fees, making projects more costly and less integrated.

In addition, Vienna's SMART Housing Construction Program reflects a creative approach to cost containment, delivering affordable, high-quality homes through efficient design with broad appeal. Introduced in 2012, this program provides compact and adaptable housing for young families, couples, single parents, and individuals. This strategy supports residents through various life stages, making it politically viable by framing housing as a universal need rather than a targeted subsidy. Between 2012 and 2017, SMART flats comprised one-third of all new subsidized housing.⁸ Together, these strategies help lower the cost of individual projects. In 2022, the average cost to build a social housing unit in Vienna was about \$245,000.⁹

Vienna's focus on cost containment also goes hand in hand with a strong commitment to livability, sustainability, and community well-being. The housing system is centrally planned to support livability, sustainability, and community. Social housing is well-designed and located near transit, schools, healthcare, and green space. The city emphasizes mixed-use, walkable neighborhoods with energy-efficient buildings closely tied to public infrastructure.

Reducing Speculation through Systematic Decommodification

Approximately 43% of Vienna's housing is protected from market pressures through a mix of nonprofit and municipally owned homes. The large share of below-market, price-controlled housing eases pressure on the private rental market by reducing demand, which in turn helps keep market-rate rents stable and limits rent escalation. Unlike the prevailing approach in the U.S. that relies on market-rate housing to eventually become affordable through filtering, these models demonstrate that directly increasing the supply of affordable housing is a more effective strategy for achieving long-term affordability. Private landlords must price competitively, knowing that many renters have access to high-quality, affordable alternatives.

⁸ Wohnfonds Wien. (2018). *Developers' competition: A model for quality assurance in subsidized housing construction*. Retrieved from https://www.wohnfonds.wien.at/media/Website%20PDF-INFO%20Downloads/English%20Information/developers_competition_web_2018.pdf

⁹ Southern California Association of Governments (SCAG). (2022). *Vienna social housing field study: Lessons for Southern California* [Presentation]. Retrieved from <https://scag.ca.gov/sites/main/files/file-attachments/cehd110322agn06-presentation.pdf?1667520495>

LPHAs in Vienna operate under Austria's cost-rent principle, which ties rents to actual documented expenses rather than market rates. This includes operating costs like maintenance, administration, and ground leases, as well as financing and certain capital costs, such as for new or recently modernized buildings. Rents are designed to cover these actual costs without generating profit. Unlike private landlords, LPHAs are prohibited from charging excessive rents, and any rent increases are strictly regulated to preserve long-term affordability.

Austria's Tenancy Act regulates rent increases even when tenants move out, preventing landlords from raising rents to market rates. Instead, rents follow set formulas based on factors like location, condition, and amenities, ensuring affordability across tenancies. About 77% of Vienna's private rental housing is rent-controlled, with only 7% of the total housing stock exempt. Through nonprofit ownership, cost-based rents, and broad rent controls, Vienna's housing system prioritizes stability and affordability over profit.

Income Limits and Waiting Lists

Vienna's social housing system is designed for broad access, with income limits set high enough to include about 80% of the population, up to roughly 180% of AMI. New buildings are intentionally mixed-income: 30–40% of units go to low-income households (below 60% AMI), 40–50% to moderate-income tenants (60–100% AMI), and 10–20% to higher earners, all benefiting from Vienna's cost-based rents.

However, there are long waiting lists due to high demand that exceeds available supply, despite the city's continued public investment¹⁰. As of recent reports, approximately 21,000 households were on the waiting list for subsidized housing in Vienna¹¹. To manage this, the city prioritizes applicants with greater need or stronger local ties. Those who have lived in Vienna for more than five years receive a time credit that moves them up the list. Applicants facing serious housing challenges, such as homelessness risk, overcrowding, disability, or being a single parent, also receive priority and faster placement. Wait times vary widely by need, housing type, and location, ranging from a few months to several years.

Building Tenant Trust Through Transparency: Vienna's Annual Cost Statement

Vienna's rental system ensures transparency by requiring landlords to provide tenants with an annual cost breakdown. Each year, landlords must issue a reconciliation statement comparing

¹⁰ Andersson, J. (2023, September 6). *Vienna's social housing model: Celebrated but misused*. Social Europe. Retrieved from <https://www.socialeurope.eu/vienna-social-housing-model-celebrated-but-misused>

¹¹ Burgis, B. (2023, September 21). *The hidden failures of social housing in Red Vienna*. Reason. Retrieved from <https://reason.com/2023/09/21/the-hidden-failures-of-social-housing-in-red-vienna/>

tenants' rent payments to the actual expenses incurred. This system gives tenants a clear view of what their rent covers and allows them to inspect receipts to verify accuracy. Beyond its practical benefits, this transparency builds public trust by showing that rents are tied to actual costs, not profit, reinforcing confidence in both the system and its nonprofit housing providers.

Other Notable Features

Vienna's social housing system is notable for its comprehensive tenant services. The system includes strong eviction protections to prevent displacement. It also offers a range of tenant services, such as rent vouchers for low-income households, housing placement help, support in forming cooperatives, and programs to build community. Many developments provide on-site services like childcare, youth programs, and support for seniors or people with disabilities.

Unlike in the U.S., tenants in Vienna can increase their income without losing housing, avoiding disincentives to upward mobility. While some argue this limits access for lower-income households, it also promotes cohesion by allowing residents to remain in their communities.

Vienna also offers a sustainable alternative to homeownership. With affordable lifelong rentals, transferable leases, and strong public benefits like pensions and education, families can achieve housing security without owning property, supporting intergenerational stability without private wealth accumulation.

Denmark

In Denmark, social housing is provided by nonprofit associations and operates on the principle of universal access, meaning housing is open everyone, not limited by income. In 2024, one in six Danes - or 960,000 people - lived in social housing.¹² Social housing is one pillar of Denmark's broader welfare system, which guarantees universal healthcare, free education through university, affordable childcare and eldercare, and strong social supports, all funded by high taxes.

While Danish social housing shares features with Vienna, including rent control, cost-based rents, quality design, and public subsidies, this analysis highlights the distinctive elements of the Danish model that may offer useful insights for Berkeley. These include how universal access works in practice, Denmark's unique tenant-led governance structure, and the role of its national revolving loan fund.

¹² BL Danmarks Almene Boliger. *Beboere i Almene Boliger* [Residents in Social Housing]. Available at: <https://bl.dk/viden-kartotek/beboere/> [Accessed February 25, 2025].

Social Housing Associations

While Vienna's social housing model consists of a mix of public and nonprofit housing, Denmark's system is decentralized, with a network of over 500 nonprofit housing associations managing the sector. Regulated by the government, these associations collectively manage about 560,000 units, or 21% of the country's housing.¹³ Some operate nationally, others focus locally or on specific groups like students. This system is akin to the Bay Area's network of nonprofit developers and community land trusts.

How Universal Access Works in Practice

Denmark's social housing system is universally accessible; anyone can apply, regardless of income. However, with only 21% of housing designated as social housing, demand often exceeds supply.

There are three main ways to access social housing:

1. **Municipal Allocation** – Up to 25% of vacant units are reserved for people with urgent needs, such as low-income households, people with disabilities, the homeless, refugees, or the unemployed. This system allows municipalities to address local housing challenges by ensuring that a portion of social housing is reserved for vulnerable populations in need of immediate assistance. Local governments manage these placements in partnership with housing associations.
2. **Flexible Allocation** – Designed to promote social and economic diversity and prevent the overconcentration of vulnerable populations, this system provides flexibility to advance certain priorities. This includes employed individuals (to encourage economic diversity), students (for housing near universities), seniors (for age-friendly housing), families with children (to promote stability) or people relocating due to life changes. Criteria vary by municipality.
3. **General Waitlist** – Open to all, with no income or residency requirements. It works on a first-come, first-served basis. Applicants register with a housing association, and in major cities, centralized lists allow applications to multiple associations. Wait times vary; over 10 years in cities like Copenhagen, but much shorter in smaller towns.

In Aarhus, flexible allocation boosted the share of employed tenants in certain neighborhoods. Copenhagen used it to prioritize students and recent graduates, helping support education and workforce entry through affordable, shared housing. These three waitlists run in parallel to balance equal access, urgent needs, and community diversity in Denmark's social housing.

¹³ OECD (2022), *Affordable Housing Database* - OECD, <http://www.oecd.org/social/affordable-housing-database.htm>.

Social Housing Resident Composition

Denmark’s social housing is high-quality and affordable, but not everyone chooses it due to limited availability, location, and preference for private housing.

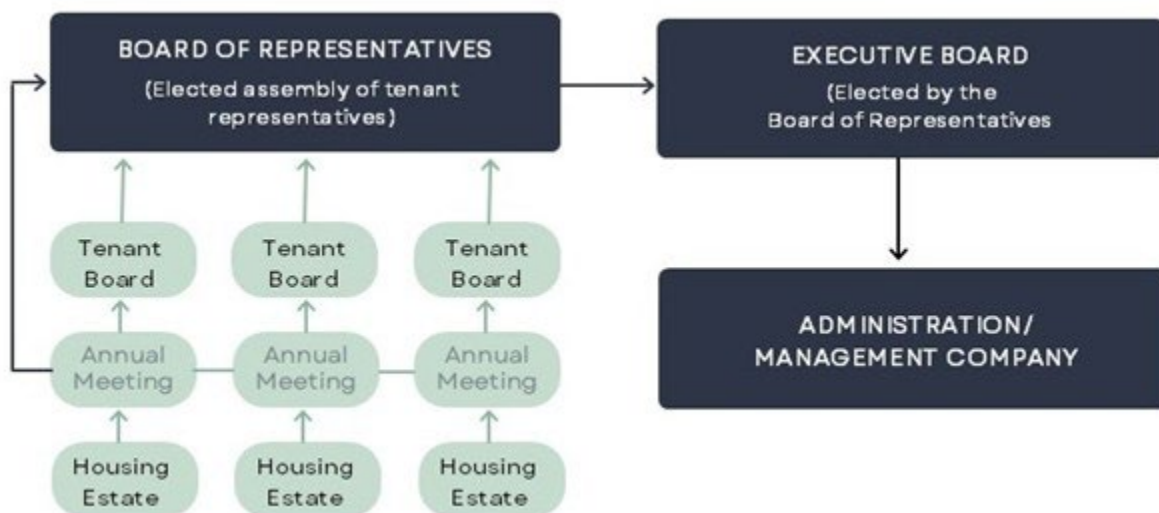
Social housing in Denmark mainly serves low-income individuals, young adults, seniors, non-Western immigrants, single-person households, and those receiving public assistance. A 2017 study by BL Danmarks Almene Boliger,¹⁴ found that 67% of social housing tenants lived alone (compared to 38% in the private sector), including concentrations of younger adults (25% were aged 18-34) and elderly adults (7% were over 80). Additionally, 83% of social housing households earned below the median income, with a higher reliance on public benefits than private renters.

Though access is not income-based, wealthier households tend to choose private housing, while lower-income groups are more likely to live in social housing, reflecting a natural sorting based on income, needs, and lifestyle.

Organizational Structure and Operations

Denmark’s social housing is known for strong tenant involvement, but it is also supported by a structured governance system with three main parts: tenant boards, an executive board, and professional property management.

Figure 5: Governance Structure of Danish Housing Associations



¹⁴ BL Danmarks Almene Boliger. *Beboersammensætning – Resident Composition*. August 7, 2017. Available at: [BL Danmarks Almene Boliger](#) [Accessed February 25, 2025].

Tenant Boards

Each housing estate elects a tenant board to represent residents. These boards do not handle daily operations but play a key role in gathering feedback, setting community priorities, and shaping the annual operating budget with management. They can propose changes like added services or renovations, though certain costs (like taxes and capital expenses) are fixed. All residents vote on the building's budget at an annual meeting, and tenant boards can raise concerns about management to the Board of Representatives if needed.

Board of Representatives

At the annual meeting, residents also elect members to a larger Board of Representatives. This board approves budgets, oversees major policies, and makes decisions on large projects like renovations or property sales.

Executive Board and Management

The Executive Board provides professional oversight and includes tenant representatives, experts in finance or real estate, and sometimes local officials. This board hires a professional administrator to handle day-to-day operations like maintenance, tenant services, and rent collection, while also ensuring financial sustainability and compliance with regulations. Some organizations serve as administrators for multiple nonprofit housing associations. In 2022, KAB managed 64,000 dwelling units across more than 500 estates for 60 nonprofit housing associations and municipalities in Denmark. This system balances resident governance with expert oversight to manage Denmark's social housing effectively.

National Building Fund

The National Building Fund (*Landsbyggefonden*) is a cornerstone of Denmark's social housing system. Established in 1967, its primary role is to support and strengthen the nonprofit housing sector. Rather than depending on ongoing government subsidies, the fund is sustained through tenant rent contributions. When a housing association finishes repaying its construction loans, the portion of rent that was used for debt service is not reduced. Instead, that same amount is redirected to the National Building Fund, which reinvests it back into the housing system. This creates a self-sustaining, revolving funding model.

New social housing developments are typically financed through a mix of long-term mortgage loans (covering about 88% of costs), interest-free municipal loans (around 10%), and small tenant deposits. Housing associations repay these loans over time using rental income from tenants, with rents set on a cost-recovery basis.

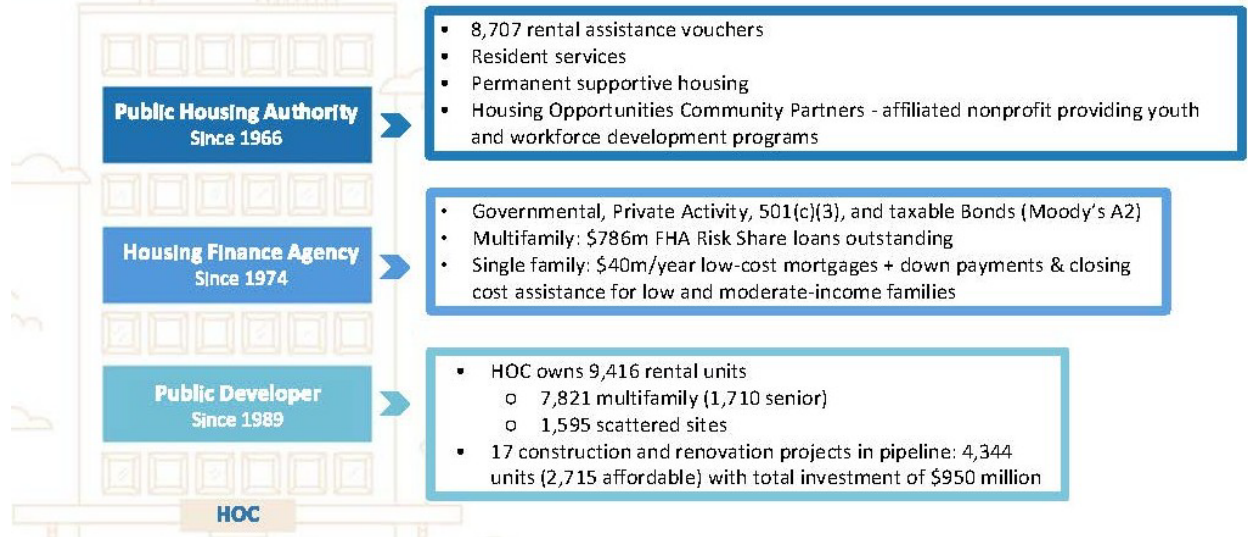
A key feature of the Danish model is what happens after the loans are repaid. Tenants continue to pay the same rent, but the funds that previously covered mortgage payments become surplus contributions to the National Building Fund. These pooled contributions are then used to: (1) renovate and modernize aging housing, (2) build new social housing, (3) support financially vulnerable housing associations, and (4) fund social and community programs.

By recycling surpluses from paid-off estates, it ensures continuous investment in the housing stock and the well-being of residents. This self-financing loop keeps the sector robust through economic cycles and reduces pressure on government budgets.

Housing Opportunities Commission (Montgomery County, MD)

The Housing Opportunities Commission (HOC) of Montgomery County, MD was founded in 1974 as a public agency that works to provide stable and affordable housing for county residents. What makes HOC unique is that it combines the roles of a public housing authority, a housing finance agency, and a public developer, all in one organization. This allows HOC to take a more comprehensive approach to solving housing challenges.

Figure 6: HOC - Public Housing Authority, Housing Finance Agency, and Developer



Source: HOC, 2024.

As a public developer and housing lender, HOC has long used its ability to issue bonds to finance affordable housing. In the 2010s, it used the federal Rental Assistance Demonstration (RAD) program to convert its public housing into long-term, voucher-supported units. It financed these renovations using tax-exempt bonds from its own Multifamily Program. As an FHA risk-

share lender, HOC can also offer fixed-rate, low-cost loans with long repayment periods, which helps keep project costs down.

More recently, HOC has shifted toward developing larger, mixed-income projects that include both affordable and market-rate units. This approach avoids delays tied to limited tax credits and allows for faster development. While typical affordable housing projects in the county have about 130 units, HOC's mixed-income projects range from 250 to 450 units. With a 30% affordable set-aside, these larger projects still deliver between 75 and 135 affordable units, similar to traditional projects, but at a greater scale and with fewer financing delays.

Housing Production Fund and Public Ownership

The Housing Production Fund (HPF) is a financing tool that helps HOC build mixed-income housing with deeper affordability than most inclusionary housing policies. While many local laws require just 10–20% affordable units, HOC projects funded through the HPF must include at least 30% affordable housing, 20% for households earning 50% of the area median income (AMI) or less, and 10% for those earning around 65–70% of AMI.

The HPF is a revolving loan fund created in 2021 with an initial \$50 million in bond financing, backed by annual county contributions for debt service. Another \$50 million was added in 2022, bringing the fund to \$100 million. It provides short-term construction loans, typically repaid within five years through long-term financing like tax-exempt bonds. This repayment replenishes the fund for future use. By using public financing instead of private equity, HOC keeps ownership and control of its projects, allowing it to prioritize long-term affordability and tenant protections. The model works because about 70% of units in these developments rent at market rates. This higher-income portion of the project helps cover operating costs and subsidizes the affordable units. HOC also often builds on publicly owned land, like former public housing sites, which helps keep development costs down. For example, The Laureate, the first HPF-backed project, was built on the site of a former 95-unit public housing development next to a Metro station. HOC also purchases land at market value, but public land helps stretch dollars further.

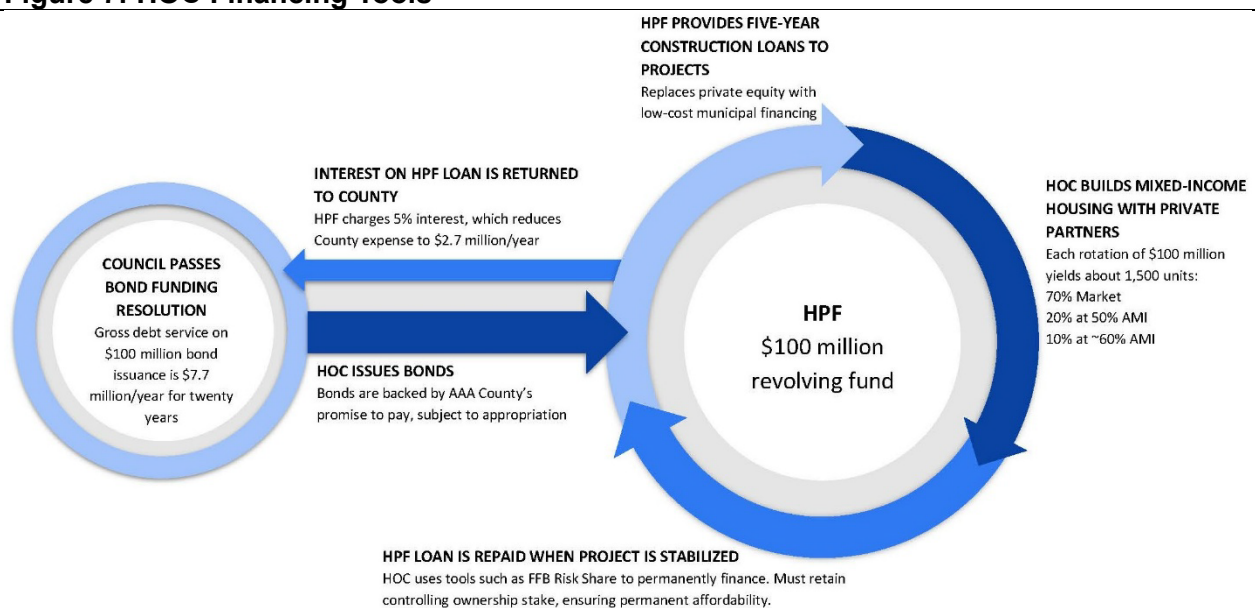
Other tools improve the financial viability of HPF projects. These include property tax abatements for publicly owned developments and access to low-interest, long-term loans through the FHA risk-share program. Together, these advantages boost cash flow and make mixed-income projects financially sustainable while meeting public goals.

HOC takes a different approach from most affordable housing developers by keeping majority public ownership of its projects. It acts as both the developer and long-term owner, unlike the common model where nonprofits or private companies build and manage affordable housing

using tax credits. This strategy is a modern version of traditional public housing—except HOC focuses on mixed-income developments.

By holding onto its properties, HOC can ensure permanent affordability, since income restrictions do not expire. However, this also means HOC is responsible for long-term management and maintenance. It handles this through its own Property Management Division, which oversees building operations and resident services. While this model gives HOC greater control, it also comes with risks, especially since most of its units are rented at market rates, making the agency more vulnerable if demand drops or the market becomes oversupplied.

Figure 7: HOC Financing Tools



Source: Montgomery County HOC, 2024

Project Example: The Sage

The Sage at Westside Shady Grove is a planned mixed-use, mixed-income community located one block from the Shady Grove Metro station. It will include 413 apartments, with 30% (123 units) set aside as affordable housing. Of those, 83 units will be for households earning 30–50% of the area median income (AMI), and 40 units for households earning up to 65% of AMI. The project will also include 7,000 square feet of retail space, planned as a public library, along with amenities like a pool, fitness center, e-lounge, pet spa, and an entertainment kitchen. A five-story parking garage with 545 spaces will serve residents. The building is being designed to meet LEED certification, with solar panels and accessible design features. Construction is expected to begin in summer 2025.

Originally, the project was a joint venture between HOC and private developer EYA, who had rights to purchase the site from Montgomery County. However, EYA transferred its rights to HOC, making it a fully publicly owned project. This allowed HOC to use tax-exempt bonds without hitting state-imposed limits on private activity bonds. HOC bought the site from the county for \$3.6 million, about \$12,400 per market-rate unit.

To manage the project, HOC created a special-purpose entity to own the site and oversee development. EYA will stay involved as the development and construction manager, receiving a development fee and fixed monthly payments.

Because the project is 100% government-owned, HOC can use lower-cost tax-exempt financing. The total development cost is \$178 million, or about \$431,000 per unit. Most of the funding will come from HOC-issued tax-exempt bonds through an FHA Risk Share mortgage. This loan will convert to long-term financing once the building is complete. Additional funding includes \$10 million in equity from HOC's Opportunity Housing Reserve Fund, a \$29 million loan from the Housing Production Fund (HPF), and \$5 million from the Montgomery County Green Bank to support energy-efficient design.

Emerging Social Housing Initiatives in the US

There is growing momentum for social housing across the United States, with several public sector initiatives already underway or currently being explored, including:

- **California Stable Affordable Housing Act of 2023 (SB 555).** Signed into law in late 2023, this bill directs the State to complete a study on social housing for low- and moderate-income households by the end of 2026. The study will explore how social housing can be developed, owned, and managed by public agencies, local authorities, limited-equity cooperatives, or mission-driven nonprofits for the benefit of residents who cannot afford market rents. The law defines social housing as housing that includes a mix of income levels, from extremely low to moderate income. The California Department of Housing and Community Development (HCD) has contracted the Turner Center at UC Berkeley to lead the study.
- **Public Development and Ownership of Housing: A Feasibility Study for Rhode Island.** This NYU Furman Center study looks at U.S. social housing models based on public ownership. It groups them into three types:
 - **Mixed-Income Models** (e.g., Montgomery County, MD; Atlanta, GA; Chicago, IL), which use low-cost revolving loan funds to help finance mixed-income

projects, sometimes resulting in public equity ownership.

- **Public Housing Conversions** (e.g., Boston, MA; Cambridge, MA; Hawaii), where existing public housing is redeveloped and expanded while maintaining public ownership.
- **100% Affordable Models** (e.g., Dakota County CDA in Minnesota), where public or quasi-public agencies own and operate entirely affordable housing.

The study includes financial analyses and practical tools for implementing each model.

- **Seattle Social Housing.** This voter-approved public development authority, established in 2023, is focused on publicly owning permanently affordable housing in Seattle. Inspired by models like HOC, the authority aims to serve households earning up to 120% AMI. It has formed a governing board and appointed a CEO. In February 2025, voters approved a second ballot measure, Proposition 1A, which will fund the initiative by taxing employers 5% on employee compensation exceeding \$1 million annually.
- **City of San Francisco Social Housing Feasibility Study.** In 2020, San Francisco passed Proposition I, increasing the transfer tax on property sales over \$10 million. Although the funds are not officially earmarked, the measure was promoted as a way to fund social housing and is expected to generate \$103 million over two years. That same year, the City established the Housing Stability Fund to support permanently affordable housing with public, nonprofit, or resident ownership. These projects must serve income-qualified households, with average incomes across all units kept below 80% of the zip code's median income.

In 2024, the City's Budget and Legislative Analyst released a report on the financial feasibility of mixed-income social housing. Unlike traditional affordable housing, which targets only low-income households, the models studied included a mix of incomes, about half the units for households earning below 80% of AMI and half for those earning up to 110%. Because these models include higher-income tenants, they are not eligible for most federal and state affordable housing programs and would need to rely on local funding.

Four of the six models studied required upfront subsidies of \$29–\$62 million (or about \$430,000–\$490,000 per unit) and assumed access to low-interest loans. With these assumptions, five models were financially viable; the one that was not assumed an 8% interest rate. The report recommended starting with households near 100% of AMI and phasing in deeper affordability over time. It also called for exploring governance models and new local funding strategies to support social housing in the long term.

Figure 8: Summary of Case Studies

	Vienna	Denmark	Montgomery County Housing Opportunities Commission	Berkeley
Publicly or mission-driven owned	Mix of municipal government and non-profit owned (LPHAs)	Mostly non-profit owned	Mix of HOC / non-profit owned	Mostly non-profit owned
Protected from transfer to for-profit entities	Cannot be sold at market prices or used to generate profits for shareholders.	Cannot be sold to for-profit entities, except in rare cases	No prohibition against transfers to for-profits, though HOC prioritizes long-term affordability	LIHTC lacks permanent protections; some deals include a non-profit/tenant right-of-first-refusal. CLTs offer long-term protections.
Permanently affordable and protected from market speculation	Permanently affordable; cost-rent principle with no profit allowed.	Permanently affordable; cost-rent principle with no profit allowed.	Affordability term limited based on regulatory agreements	Affordability term limited, based on regulatory agreements; inclusionary units are affordable in perpetuity
Inclusive of a broad income range	0-180%	No income limits	Varies based on the funding source	Varies based on the funding source
Tenant governance	Tenant input available	Tenant governance and participatory budgeting	Tenant input available	Tenant input available
Resident stability	Rent transparency, security of tenure, transfer rights, protections against unjust evictions	Rent transparency, right to form unions, security of tenure, protections against unjust evictions	Rent stabilization, right of first refusal to purchase, rights to form tenant unions	Rent stabilization, just cause protections, right to form unions (Meausre BBB), notification rights

Summary of Case Studies and Application to Berkeley

Below are key takeaways from the case studies and how they can be applied to Berkeley:

- **Social housing can be effectively owned and managed by government entities AND nonprofit organizations.** Both Denmark and Vienna started with government-led housing after World War II but have since evolved. Denmark's system is decentralized, built, and managed by a network of over 500 nonprofit housing associations. Vienna shifted from direct public production to a model led by LPHAs.

Berkeley has a well-established network of nonprofit developers and community land trusts, supported by the city's track record of capacity-building investments that have helped sustain this ecosystem over time. Berkeley's affordable housing delivery system mirrors the approach taken in these European social housing models, where nonprofit entities, rather than public agencies, play a central role in delivering affordable housing. Even HOC, a public housing authority, often partners with private entities through public-private partnerships to carry out its projects.

Berkeley should continue investing in the capacity of its nonprofit partners and convene the groups to strengthen coordination and identify opportunities for deeper collaboration. Additionally, BHA is expanding its role in acquisition-rehabilitation through its nonprofit arm. In partnership with BHA, the City could explore the feasibility of a municipal public development entity to further support social housing production.

- **Social housing plays a transformative role when it represents a substantial share of the overall housing stock.** In Denmark, social housing comprises 21% of all homes. In Vienna, the impact is even more pronounced: the city directly owns 23% of the housing stock, while LPHAs own an additional 20%. Unlike the prevailing approach in the U.S. that relies on a piecemeal approach, the scale of public / nonprofit inventory in these European examples demonstrate that directly increasing the supply of affordable housing is a clear and effective strategy to stabilize prices and support an inclusive urban environment.

As of 2025, Berkeley had 2,736 deed-restricted affordable housing units, comprising 9% of the occupied rental units in the city. Looking forward, the city could consider setting a long-term social housing target to help guide policy and investment, such as defining the share of the overall housing inventory that should be permanently affordable.

Rent stabilization with vacancy control is another key policy that complements social housing by helping to decommodify the rental market. Prior to the passage of Measure BB in 2024, Berkeley's Rent Stabilization Ordinance covered about 21,500 units built before 1980, with an additional 6,000 units protected under just cause eviction rules. While previous efforts to reform the Costa-Hawkins Rental Housing Act have not succeeded,

regaining the ability to implement vacancy control would provide Berkeley with a powerful tool to preserve affordability and reduce speculative pressures in the housing market.

- **A long-term commitment to sustained funding is essential to scaling production.** Vienna uses a 1% housing tax on wages, split between employers and employees, which raised \$440 million in 2020 for construction, rehabilitation, and tenant subsidies. In the U.S., cities like Seattle and San Francisco have taken similar steps by taxing high earners and luxury property sales to support social housing. HOC also shows how a public agency can use tools including tax-exempt bonds, project-based vouchers, and revolving loan funds to fund new housing.

Berkeley should develop a long-term funding strategy to support social housing. In the near term, the City can leverage existing tools like CalHFA's Mixed-Income Program and partner with emerging funds such as the Bay Area Housing Innovation Fund (BAHIF). Over time, Berkeley should explore dedicated revenue sources, such as a local tax, while continuing to use strategies like cross-subsidies and tax exemptions. Sustained, reliable public funding is essential to ensuring the long-term success of social housing efforts.

- **Cost containment as a central strategy for production.** Vienna and Denmark employ tools such as land banking, coordinated infrastructure planning to reduce individual project costs, and innovative housing typologies to keep production expenses low. At the same time, they maintain a strong emphasis on design quality and sustainability, recognizing that subsidized housing must remain visually appealing and well-integrated into the broader urban environment.

In Berkeley, there is a more limited supply of developable City-owned land, as discussed in Appendix A. Nevertheless, there are some City-owned facilities that could be redeveloped, and other public agencies that may hold underutilized land such as UC Berkeley, the Berkeley Unified School District, BART, and other state and regional agencies. In addition, the City, especially in the current high development cost environment, could purchase properties for redevelopment (much as California local governments did under California Redevelopment Law). As discussed in the next chapter, the city could also acquire smaller apartment complexes subject to rent stabilization and implement social housing as an expanded housing preservation and decarbonization strategy.

- **Vienna and Denmark offer human-centered approaches to eligibility for housing at all stages of life.** In Denmark, income is not a factor defining eligibility; instead, the various housing associations operate within a flexible system, seeking to provide housing to all that request it. In Vienna, income limits exist, but are defined more broadly than in the US, with eligibility up to 180% AMI, ensuring widespread access to affordable housing.

The next chapter presents financial proformas modeling various income mixes, enabling Berkeley to assess trade-offs and use the findings to inform its social housing targets. Another way to approach this is through a life-cycle lens. Rather than viewing affordable housing as something only for low-income households, it can be framed as a resource that supports people through different stages of life: young adults, families, and seniors. This universal framing helps build broader political support by positioning housing as a shared, long-term need rather than a narrowly targeted subsidy.

- **Denmark and Vienna offer important lessons on how to structure waitlists to support residential mobility within the system.** Their models take a human-centered approach, allowing residents to move within the system as their needs change, whether due to job relocation, family growth, or aging.

While Berkeley already has its own preference system to prioritize certain populations, such as those displaced by redevelopment or people experiencing homelessness, the overall lack of affordable housing limits the ability to stabilize or adapt to life transitions. For example, there is no clear pathway for someone in LIHTC housing to “graduate” to a limited-equity cooperative. In contrast, Denmark and Vienna design their systems to accommodate such shifts, with flexible waitlists and transfer mechanisms. Berkeley could build on its existing framework by introducing streamlined transfer processes, mutual exchange programs, and better coordination across providers, creating a more adaptive, life-cycle-oriented housing system.

- **An often overlooked but critical aspect of social housing systems is the role of demand-side support, particularly the broader social safety net.** For example, in Vienna, 19% of social housing funding is allocated as direct assistance to households. In Berkeley, this may mean providing rental assistance or tenant vouchers to help low-income households afford their homes, especially since the income distribution in Alameda County means that the AMI limits translated to “affordable” rents often are still unattainable for many households. While Berkeley may not currently have the resources to fund a local voucher program, BHA does administer a limited number of vouchers.
- **Establishing meaningful tenant governance requires formal structures, education, and a balance between resident power and professional management.** Tenant governance is fundamentally different from tenant input. In Denmark, governance is formalized; for example, tenants are required to vote on their building’s annual budget at a mandated annual meeting. This goes beyond consultation and gives residents real decision-making power. In contrast, the U.S. largely lacks formal governance structures in housing; most tenant participation is voluntary and advisory, with limited influence on actual decisions.

Moving toward true governance in the U.S. would require piloting new structures and investing in tenant education. One potential step could be implementing cost transparency practices similar to Vienna's annual rent reconciliation statements in publicly funded housing. These tools could help tenants better understand housing finances and prepare them for governance roles. Measure BB creates a potential entry point in Berkeley by allowing tenants to form unions within rental properties, an early step toward collective power. However, Denmark's experience also shows that tenant governance must be balanced with financial oversight and professional property management to ensure long-term housing stability and performance.

- **HOC provides a U.S.-based example of how elements of a social housing model can be adapted within a conventional affordable housing finance system.** Evolving from its origins as a public housing authority, HOC now develops both mixed-income and fully affordable projects, often through public-private partnerships. In its mixed-income developments, particularly those funded through the Housing Production Fund, HOC retains an equity stake, maintaining public ownership and long-term control. HOC brings a full set of tools to the table: low-cost construction financing, property tax exemptions, and the use of market-rate units to cross-subsidize up to 30% affordable housing. It also uses its public status to issue tax-exempt bonds outside the federal volume cap, allowing it to finance affordable projects without competing for scarce state bond allocations.

This model is especially relevant in places like Berkeley, where many entitled projects remain unbuilt and could benefit from a public-led delivery strategy.

- **Both Denmark's National Building Fund and HOC's Housing Production Fund operate revolving funds that reinvest in social housing, but through different models.** Denmark's fund is sustained by surplus rent from paid-off social housing loans, redirected to support renovations and new construction, creating a long-term, self-financing system rooted in tenant contributions. HOC's Housing Production Fund, by contrast, uses public bond financing repaid through project-level permanent financing to recycle capital into future developments. Both approaches reduce dependence on private capital and ensure ongoing reinvestment in permanently affordable, publicly guided housing.

5. Financial Modeling for Social Housing in Berkeley

As noted in the case studies, a comprehensive social housing program includes several key elements: access to public land at no or low cost, effective cost containment to maximize public subsidies, sufficient funding for development or acquisition/rehab as well as operating deficits in certain models, the stabilizing role of vouchers in supporting tenants, and a reconsideration of occupancy eligibility criteria to promote income diversity and long-term stability.

To test the feasibility of creating a pilot social housing program in Berkeley, this report incorporates analysis of available City-owned land, interviews with stakeholders such as nonprofit housing organizations, community land trusts, and advocacy groups (see Appendix A for a full list), financial modeling of mixed-income approaches through a series of pro formas on both new construction and acquisition models, and discussions with potential occupants regarding socialization and governance within mixed-income projects.

The financial analysis examines two scenarios: one involving the acquisition and rehabilitation of a recently sold 21-unit building on Dwight Way, and a new construction project proposed on Shattuck Avenue within the Adeline Corridor Specific Plan Area. These scenarios were designed to test rental and homeownership models. While the income targets vary based on tenure and product type, the intent was to examine two distinct alternatives to help orient a social housing policy in Berkeley.

- **Cross Subsidization.** Inspired by Montgomery County's HOC, this scenario uses a cross-subsidy, where revenue from market-rate units helps cover the cost of providing more affordable housing.
- **Predominantly Affordable.** The second scenario mirrors a Vienna-style approach by providing units affordable to households at 30%, 50%, 80% of AMI, alongside market-rate units, to foster income diversity within the building.

The analysis estimates the total public subsidy required and evaluates cost-effectiveness using measures such as the subsidy per affordable unit. It also examines how each model addresses Berkeley's unmet housing needs.

City-Owned Land

This study began with an extensive review of City-owned land to formulate project designs that would physically illustrate tangible social housing projects; however, none of the sites identified in previous staff studies were suitable for the purposes of this analysis.¹⁵ Most were either too

¹⁵ See: <https://berkeleyca.gov/sites/default/files/documents/2019-10-29%20Item%2037%20Referral%20Response%20City%20Property%20for%20Affordable.pdf>

small (yielding less than 10 units total) or contained City facilities with existing departmental renovation plans. Redeveloping these properties would require additional input from City agencies, direction from City Council, or potential legal changes. One potential opportunity was a 0.5-acre, vacant lot at the North Bowling Green property, but community discussions have focused on converting it into parkland. Developing the site for housing would require a ballot measure in keeping with Measure L (see Appendix A for description of methodology and review of available City-owned land).

Given the limitations, this study shifted focus to identifying an acquisition/rehabilitation opportunity, and a new construction site in the Adeline Corridor Specific Plan area. The Specific Plan's commitment to ensuring 50% of all new housing built in the Adeline Corridor will be affordable aligns closely with the outcomes observed in European social housing case studies, making it a fitting context for analysis. Moreover, a separate set of new construction models was developed to test how key social housing tools, such as no-cost land, low-cost financing, and cost reductions impact overall project feasibility.

Concept 1: Acquisition/Rehabilitation of Existing Housing

Acquiring and rehabilitating existing buildings is a cost-effective social housing strategy that preserves affordability, prevents displacement, and strengthens neighborhood stability. While rent stabilization keeps rents affordable for current tenants, unsubsidized affordable housing can reset to market rates when they become vacant. Before the Costa-Hawkins Act, cities used vacancy control to maintain affordability between tenants, an approach similar to European examples.

Since state law now prohibits vacancy control, one alternative is to transition unsubsidized rental properties into nonprofit or public ownership. This allows for rents to be regulated based on long-term affordability goals rather than market returns, preserving access for lower-income households. Rehabilitating existing buildings also supports climate goals by improving energy efficiency and reducing construction-related waste.

1626 & 1654 Dwight Way

This two-building complex, located at 1626 & 1654 Dwight Way between California Street and McGee Avenue in central Berkeley, contains 21 one-bedroom units, each measuring 600 square feet each. Despite the separate addresses, the buildings are adjacent to each other and form a single property on the south side of Dwight Way near Jefferson Street. After undergoing modest rehabilitation, the complex was sold in 2023 for \$250,000 per unit. Designed in a motor hotel style, the two buildings face each other across a small central courtyard, which features a swimming pool. On-site surface parking is limited, with two spaces in front of one building and another seven spaces behind the complex. The surrounding neighborhood contains a mix of well-maintained, historic single-family homes, including Victorian and 1920's Mediterranean style residences.

To illustrate how the exterior of this complex could be modernized aesthetically, the subconsultant to this study, PlaceWorks, created the following renderings of the exterior, with new façade treatments, landscaping, and removal of poorly designed curb-cut parking as the front lawn of one of the buildings.

Figure 8: Existing Conditions and Proposed Rendering of Front Exterior, Dwight Way



The additional visuals below show the current courtyard with the small swimming pool, and a renovation scheme with solar, landscaping, modernized doors, and replacement of the swimming pool with common community space.

Figure 9: Existing Conditions and Proposed Rendering of Internal Courtyard, Dwight Way



Rental Income Mix Options for Dwight Way

This section presents the assumptions for three scenarios analyzing the acquisition and rehabilitation of 1626 and 1654 Dwight Way for rental housing,

- **Baseline:** This represents a typical investor purchasing an existing, rent-stabilized property. Since the building is subject to rent stabilization, the current maximum rents are publicly available and used in the analysis (see Appendix C). Assuming tenants are not cost-burdened and rents remain the same, the units are affordable to households earning between 26% and 92% of AMI, with an average affordability of 61% AMI.
- **Rental Option A - 80% AMI Income Average:** This option reflects the income averaging approach described in Berkeley's Small Sites Program NOFA, which aims for an overall affordability average of 80% AMI.¹⁶ No tenants are displaced upon acquisition, but as units turnover, some may be leased to households earning up to 120% AMI to offset the cost of lower-income units. This cross-subsidization uses higher-income tenants to support deeper affordability for other tenants.¹⁷
- **Rental Option B - 100% Affordable:** This option removes market-rate cross-subsidization entirely, focusing exclusively on serving the lowest-income households. It proposes a 100% affordable housing project with units evenly distributed at 30%, 40%, 50%, and 60% AMI, resulting in an average affordability level of 45% AMI.

Ownership Income Mix Options for Dwight Way

This analysis also considers a scenario where the building is converted to homeownership, giving existing tenants the opportunity to become owners. This aligns with models like Community Land Trusts and Limited-Equity Housing Cooperatives (LEHCs), which offer affordable homeownership by maintaining collective or nonprofit ownership of the land (in the case of CLTs) or the building (in the case of LEHCs), while allowing residents to purchase homes or shares with restricted equity to ensure long-term affordability. Resale values are capped using a fixed formula. These models create a stable stock affordable ownership by balancing wealth-building for residents with sustained affordability for subsequent buyers.

Both ownership scenarios assume residents will secure a mortgage to contribute an equity stake, similar to a condominium model. Residents are expected to pay 35% of their income towards housing, though specific structures may vary. The ownership scenarios are based on

¹⁶ Alternatively, the City can choose to cap all incomes at 80% AMI for Small Sites projects.

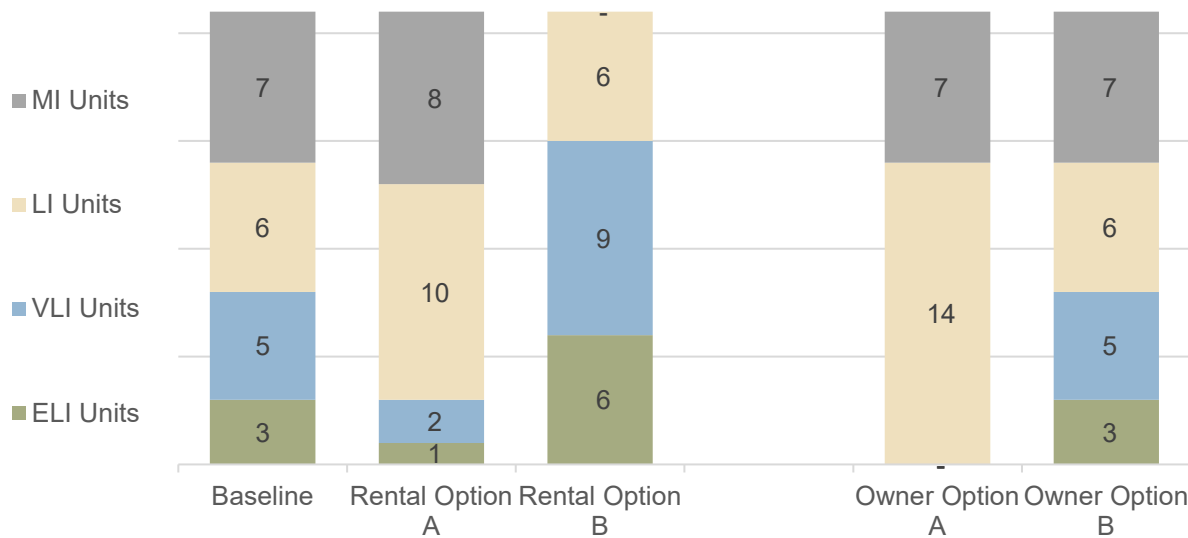
¹⁷ In practice, Berkeley's regulatory agreements typically cap units 80% AMI, rather than allowing some units to be set at market rates. This approach is driven by the wish to qualify for the full welfare property tax exemption, which requires all units to remain affordable. However, for the purposes of modeling cross-subsidization, the pro forma assumes income averaging up to 80% AMI by including higher-income units in order to assess the impact on public subsidy requirements when some units are able to be set at market rents.

the following assumptions:

- **Ownership Option A: 80% AMI Average:** This mirrors the Small Sites program with an 80% AMI average. Without a market study assessing demand at higher AMI levels, particularly for older housing stock, this analysis takes a conservative approach, assuming the upper limit of sales prices are capped at 100% AMI.
- **Ownership Option B: 61% AMI Average:** this scenario assumes existing residents are offered the opportunity to purchase their units, with the building maintaining an average affordability of 61% AMI.

Except for the baseline, all rental and ownership scenarios assume \$125,000 per unit in moderate rehab costs, although actual costs can vary depending on building conditions. The graph below summarizes the AMI mix for the options described above.

Figure 10: AMI Distribution for Dwight Way Rental and Ownership Options



The summary table on the next page shows the income mix and bottom-line project costs for each option, along with total public subsidy and per affordable unit subsidy need. For all options, it is assumed as a practical matter that this project is too small to effectively utilize Low Income Housing Tax Credits; instead, it is assumed that the City of Berkeley’s typical Small Sites Program subsidy contribution of \$300,000 per unit is utilized as the primary subsidy source. If no additional funding sources are available, such as from a future Bay Area Housing Finance Authority (BAHFA) bond or state funding, the City would need to cover the entire funding gap.

Table 4: Summary of Acquisition/Rehab Rental and Ownership Options for Dwight Way

	Baseline (Rental)		Rental Option A		Rental Option B		Owner Option A		Owner Option B	
	As-Is Acquisition, No Rehab		Income Average @ 80% AMI		100% Affordable		Income Average @ 80% AMI		Income Average @ 60% AMI	
% Affordable	N/A		60%		100%		100%		100%	
% Market	N/A		40%		0%		0%		0%	
Unit Mix	<u>Units</u>	<u>%</u>	<u>Units</u>	<u>%</u>	<u>Units</u>	<u>%</u>	<u>Units</u>	<u>%</u>	<u>Units</u>	<u>%</u>
Extremely Low Income Units	3	14%	1	5%	6	29%	-	0%	3	14%
Very Low Income Units	5	24%	2	10%	9	43%	-	0%	5	24%
Low Income Units	5	29%	10	48%	6	29%	14	67%	6	29%
Moderate-Income Units (a)	8	33%	8	38%	-	0%	7	33%	7	33%
Market-Rate Units	-	0%	-	0%	-	0%	-	0%	-	0%
Total Units	21		21		21		21		21	
Total Affordable Units (b)	13	67%	13	62%	21	100%	21	100%	21	100%
Average AMI for Project	61%		80%		45%		80%		61%	
Development Cost										
Total Development Cost	\$	5,250,000	\$	9,734,542	\$	9,724,921	\$	9,932,958	\$	9,932,958
Development Cost/Unit	\$	250,000	\$	463,550	\$	463,091	\$	472,998	\$	472,998
Subsidy Needed										
Total Public Subsidy Needed		N/A	\$	4,936,837	\$	7,412,560	\$	3,136,646	\$	5,328,643
Subsidy/Affordable Unit (c)		N/A	\$	379,757	\$	352,979	\$	149,364	\$	253,745
Funding Sources										
City HTF (d)		N/A	\$	4,936,837	\$	6,300,000	\$	3,136,646	\$	5,328,643
Other Sources		N/A	\$	-	\$	1,112,560	\$	-	\$	-

a) In Berkeley, market rents in older existing buildings are generally affordable to households earning around 85% to 95% of the Area Median Income (AMI).

In this acquisition-rehab analysis, when scenarios include market rents, they are treated as Moderate-Income units because they fall within that income range.

b) Affordable units are defined as ≤ 80% AMI for rentals and ≤ 120% AMI for ownership units.

c) The Subsidy per Affordable Unit measures the amount of public funding required per affordable unit. It is calculated by dividing the total public subsidy by the number of affordable units serving households at or below 80% AMI for rentals and below 120% AMI for ownership.

d) The City of Berkeley does not impose a strict cap on the per-unit subsidy under the Small Sites Program. The proformas assume the city will contribute \$300,000 per unit based on the current Small Sites guidelines. If no additional funding sources are available, the city would need to cover the entire funding gap.

Sources: The Housing Workshop; Urban Math, 2025.

Summary of Acquisition Rehab Findings

- **Acquisition-rehab is a cost-effective social housing strategy, with lower per-unit costs compared to new construction.** Based on the pro forma analysis, the total development cost (TDC) for acquisition-rehab is estimated at approximately \$470,000 per unit, compared to \$725,000 per unit for new construction (described in the next section). In addition, this approach offers key advantages: it allows faster delivery of permanently affordable units and broadens the pool of groups active in social housing production, including smaller nonprofit developers such as community land trusts.
- **While acquisition-rehab has a lower all-in cost, it lacks ample, dedicated sources of federal or state funding, which makes the local subsidy higher.** This is why the city's per-unit subsidy for LIHTC projects often seems lower than for Small Sites projects. It is not that acquisition-rehab projects are more expensive, but rather that the city bears most of the cost alone, without support from tax-credits or other external sources.

There are several ways to leverage additional subsidy sources to reduce the City's contribution. For example, if BAHFA or Alameda County voters approve a new affordable housing bond, or if the state establishes a dedicated source for preservation, these could complement the City's funding, similar to how new construction LIHTC projects layer multiple subsidy sources. This underscores the importance of advocating for complementary regional, state, and federal preservation funding to maximize the impact of the City's investment. Additionally, scaling social housing could allow for the acquisition of several buildings and packaging into a single LIHTC application for rental subsidy (commonly called "scattered site" approach).

- **To scale this strategy, the acquisition model can be adapted to include larger, more recently built properties, including those that are financially distressed or have investors choosing to sell.** For example, Bridge Housing recently acquired a 94-unit property built in 2014 from AvalonBay Communities, with plans to convert 50% of the units into affordable apartments while retaining the other half at market-rate. The deal, completed without public subsidies, involved Morgan Stanley, the National Equity Fund, and the California Municipal Finance Authority. A property tax exemption applies to the affordable units. A favorable acquisition price and Bridge Housing's large credit line made it possible to achieve a 50/50 affordability split without public funding. Supporting larger nonprofits in pursuing similar mixed-income acquisition strategies could help scale and expand the impact of this model.

- **The acquisition and rehabilitation of existing properties, particularly when led by nonprofit organizations or public agencies, provides a practical pathway to decommodification.** Absent vacancy control, by removing properties from the speculative market and placing them under public or nonprofit ownership, these homes can be preserved as permanently affordable. When paired with strong regulatory safeguards, this approach ensures long-term affordability, housing stability, and community stewardship.
- **Converting existing, unsubsidized rental housing into affordable homeownership can lower the need for public subsidies by leveraging residents' equity contributions.** Homeownership conversions benefit from direct equity contributions of residents, which help reduce the overall public funding required. For example, in the rental model, a project targeting an average 80% AMI has a \$4.9 million public subsidy gap, whereas the homeownership scenario serving the same average AMI reduces the public subsidy to \$3.1 million. This is due to net sales revenue, which accounted for about 50% to 70% of the total sources, depending on the income targets.
- **Homeownership through acquisition-rehab provides equity-building for households priced out of the market.** The public subsidy is relatively low, ranging from approximately \$150,000 to \$250,000 per unit. Creating a pipeline of limited-equity housing cooperatives or similar models could be a transformative step, offering residents the chance to convert their monthly rent into equity through a modest buy-in. This approach serves as a steppingstone to traditional homeownership, allowing households to build savings over time, while also offering long-term stability for those who wish to remain.
- **Converting existing rental housing to ownership requires strong guidance to navigate the complex processes involved.** Financing and affordability remain key concerns, as many low- and moderate-income tenants may struggle to secure mortgages without additional assistance, such as down payment support or low-interest financing programs. AC Boost, California's Dream for All, and Housing Trust Silicon Valley's Home Access Program are sources of down payment assistance.

Additionally, property rehabilitation costs can be significant, especially if existing tenants need to relocate, requiring careful assessment of the building's condition and rehabilitation needs. Legal and administrative considerations also play a role, particularly in structuring ownership models, such as cooperatives or community land trusts. Paying for ongoing collective maintenance and homeowner association fees can also be a challenge, especially for the lowest income households. Some affordable ownership models include a subsidy for an emergency homeowners' association (HOA) fund to resolve this challenge. As a result, nonprofit organizations require sufficient funding, whether through ongoing capacity funding and/or developer fees, to scale their efforts and sustain an affordable ownership model.

- **Because some of Berkeley’s Small Sites projects are fully City-funded, the City has flexibility to embed social housing principles into regulatory agreements.** This can include terms such as permanent affordability, tenant governance standards, and limiting income certification to initial move-in to strengthen long-term affordability and community stability.

Concept 2: New Construction

2655 Shattuck Avenue

During research for this study, after evaluating several City-owned properties in the Adeline Corridor Specific Plan, this proposed project at 2655 Shattuck at Derby was identified as a potential example of new construction that could be adapted to a social housing format. The project has received approvals for a mix of a 5-story and an 8-story project, including a State Density Bonus. The 95-unit project will contain 46 studios, 4 one-bedrooms, 35 two bedrooms, and 10 three-bedroom townhouse-style units located on upper floors, which can be marketed at premium prices. The unit mix makes the project well-suited for modeling a social housing approach using these premium units to cross-subsidize affordability. The project will also feature 1,870 square feet of retail and parking for 54 bicycles and 40 cars.



After obtaining approvals in the summer of 2024, the developer listed the site and its approved plans for sale (asking price unknown). This project provides an example of how the City of Berkeley, either as a part-equity owner or full owner, could get involved in social housing projects. The concept of a partial equity stake is often used by Montgomery County, MD's Housing Opportunity Commission (see case study in Chapter 5), whereby public construction funds are contributed to the project, and then converted to a long-term equity ownership stake,

enabling permanently decommodified social housing units that can also generate cash flow over the long term (depending on the income mix of the units).

Rental Income Mix Options for 2655 Shattuck Avenue

- **Baseline Market-Rate with 20% Inclusionary:** This represents the project as currently entitled, with 80% of the units set at market rents and 20% of the units at 50% and 80% AMI, satisfying the city's inclusionary housing ordinance.¹⁸ This includes a state density bonus, which is already factored into the development program.
- **Rental Option A - Half and Half:** Inspired by Montgomery County's HOC, this scenario uses a cross-subsidy, where revenue from market-rate units supports affordable units. While HOC requires a 30% affordable set-aside, this option increases the share to 50% to align with SB 423/SB35 requirements¹⁹ and the goals of the Adeline Corridor Specific Plan. At least 10% serve 50% AMI while the remaining 40% are set at 80% AMI.
- **Rental Option B - Predominantly Affordable:** Rental Option B aligns with Vienna's social housing model by providing affordable units across the income spectrum, with units evenly distributed at 30% AMI, 50% AMI, 80% AMI, and market-rate. Rental Option B achieves deeper affordability than Option A, as it extends support to households at 30% AMI.
- **Rental Option C - 100% Affordable:** This scenario represents a traditional 100% affordable housing project, serving households between 30-60% AMI. The purpose of this analysis is to compare the impact of directing public subsidies toward existing 100% affordable developments versus investing in new mixed-income social housing models.

Financial Challenges Under Current Economic Conditions

It should be noted that for new construction, the baseline scenarios are not financially feasible under current conditions. High interest rates, costly Type 3 construction, and high land costs limit adequate returns.²⁰ Cross-subsidization is also less effective due to the gap between market rents and rising construction costs, a problem likely to worsen with new tariffs on materials. With the current market rents, the project would require adjustments, such as

¹⁸ Berkeley's inclusionary ordinance allows developers to meet the 20% requirement through a combination of on-site affordable units and a prorated in-lieu fee. Because the current proposed plans assume a density bonus, the baseline scenario assumes the full inclusionary obligation is satisfied through on-site affordable units.

¹⁹ California Senate Bill 423, which extends and expands the provisions of SB 35, creates a streamlined and ministerial review process for multi-unit housing projects in jurisdictions. For cities that have met state housing RHNA goals for construction of above-moderate income and/or lower income housing, eligible projects must set-aside 50% of units affordable to lower income households (<80% AMI) to qualify for streamlined approval. Ministerial projects do not require the approval through a public hearing or review under the California Environmental Quality Act (CEQA).

²⁰ Equity investors require projects to demonstrate strong cash flow, risk-adjusted returns, and long-term appreciation potential. When construction costs and interest rates are high, meeting financial feasibility benchmarks becomes more difficult. Investors are more likely to commit when a project demonstrates sufficient cash flow to meet return thresholds and includes a clear, well-aligned exit strategy to realize those returns.

lowering the permanent loan rate or reducing land and construction costs.

A variation of the pro formas was conducted to assess the impact of key cost-reduction strategies observed in social housing models from the case studies. This analysis examines how free land, coordinated efforts to lower construction costs, and access to below-market permanent debt influence project feasibility. To model these effects, three variables were adjusted: (a) land costs were eliminated, (b) the permanent loan interest rate was reduced from 6% to 3%, and (c) construction costs were lowered by 8% to \$475 per square foot.

The net impact of these adjustments is significant. In the Predominantly Affordable scenario, the total project cost decreased from \$725,000 per unit in the original model to \$618,000 per unit under this cost-reduction scenario, resulting in savings of about 15%. An important cost reduction comes from reducing the interest rate from 6% to 3%, which increases the supportable debt, thereby narrowing the subsidy gap and reducing the amount of public funding needed.

Despite feasibility challenges, the cross-subsidization analysis remains relevant because it explores options that rely on public subsidies. HOC's model already assumes public investment to reach 30% affordability, so it is reasonable to test what level of subsidy would be required to achieve 50% affordability in the context of social housing. This helps the City evaluate trade-offs and prioritize how to allocate its limited resources across various housing programs.

Finally, because these projects are not feasible as traditional market-rate projects, developers, whether nonprofit or for-profit, charge fees to cover the work of securing financing, managing entitlements, overseeing construction, and ensuring project completion. This is especially important when developers do not expect to earn a profit at the end of the project, as they would in a typical market-rate deal. This models a \$2.5 million developer fee, consistent with the non-deferred fee that nonprofit developers typically receive upon project completion. Many of the other assumptions align with those used in the Strategic Economics study *Berkeley In-Lieu Fee and Housing Policies Economic Feasibility Analysis*, dated April 12, 2024.

Ownership Income Mix Options for 2655 Shattuck

This model evaluates mixed-income ownership, exploring options at varying income levels. Market research shows that comparable new condominium units are usually priced for households earning between 115% to 145% AMI, with some three-bedroom townhomes reaching up to 190% AMI.

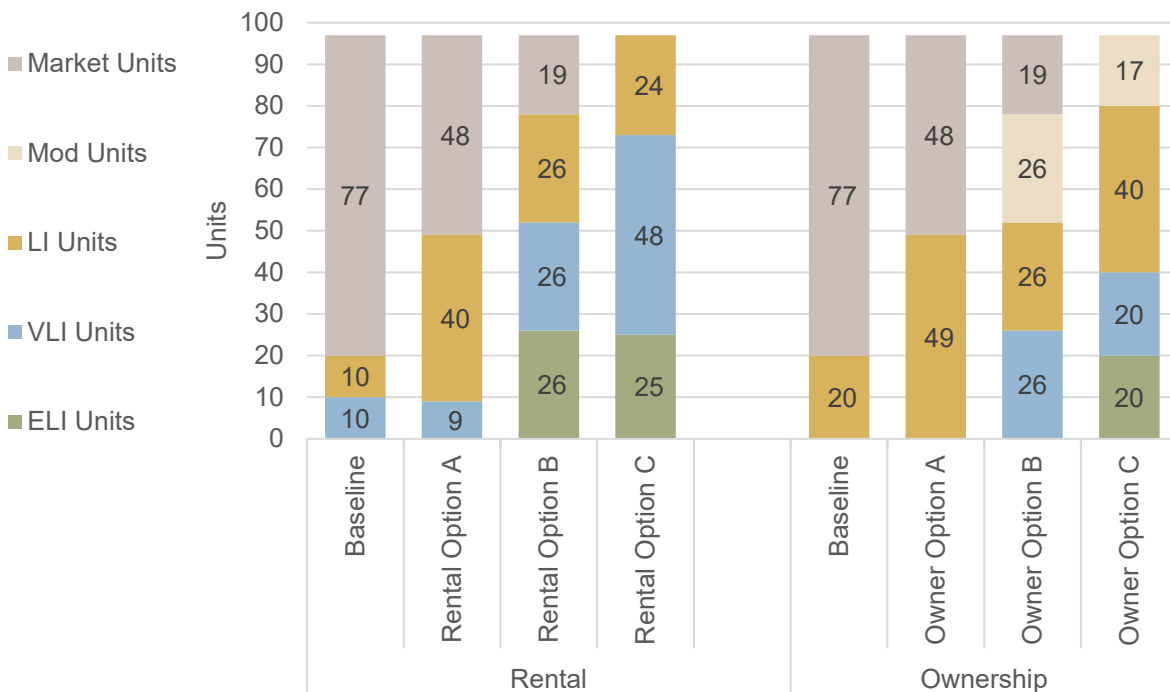
- **Baseline - Current Inclusionary:** This evaluates a project complying with the city's existing

inclusionary housing ordinance for homeownership, with 20% of the units at 80% AMI.

- **Option A – Half & Half:** This scenario assumes market-rate units cross subsidize affordable units in a 50/50 split, with all affordable units targeting households at 80% AMI. This approach aligns with a similar acquisition rehab scenario targeting 80% AMI, facilitating a direct comparison between new construction and rehabilitation approaches.
- **Option B – Defined Affordability Targets:** This scenario proposes an equal distribution of units at 50%, 80%, 100% AMI, and market-rate. This option achieves deeper affordability than Option A, with an average project AMI of 92%, compared to 100% in Option C.
- **Option C - 100% Affordable Housing:** This scenario explores the feasibility of providing homeownership exclusively for households earning between 30% and 120% AMI. By eliminating market-rate units, this model aims to assess the financial implications of delivering deep affordability in homeownership.

The graph below illustrates the income mix for each new construction rental and ownership scenario, along with the resulting average AMI for each option in the 97-unit 2655 Shattuck example project.

Figure 9: AMI Distribution for New Construction Rental and Ownership Scenarios



The summary table on the following page shows the income mix and bottom-line project costs for each option, along with total public subsidies required and the subsidy per affordable unit. Detailed pro formas for each scenario are provided in Appendix C.

Table 3: Summary of New Construction Rental and Ownership Options

	Rental Project								Owner Project							
	Baseline		Option A		Option B		Option C		Baseline		Option A		Option B		Option C	
	Current Inclusionary		Half & Half		Predominantly Affordable		100% Affordable		Current Inclusionary		Half and Half		Predominantly Affordable		100% Affordable	
% Affordable / % Market	20% / 80%		50% / 50%		80% / 20%		100%		20% / 80%		50% / 50%		80% / 20%		100%	
AMI Targets for Affordable Units	10% at 50% AMI, 10% at 80% AMI		10% at 50% AMI, 40% at 80% AMI		Split evenly at 30%, 50%, 80% AMI		Split evenly at 30%, 40%, 50%, 60% AMI		20% Affordable, at 80% AMI		50% Affordable, at 80% AMI		Split Equally at 50%, 80%, 100% AMI		100% Affordable, at 30%, 50% 80%, 100%, 120% AMI	
Unit Mix	<u>Units</u>	<u>%</u>	<u>Units</u>	<u>%</u>	<u>Units</u>	<u>%</u>	<u>Units</u>	<u>%</u>	<u>Units</u>	<u>%</u>	<u>Units</u>	<u>%</u>	<u>Units</u>	<u>%</u>	<u>#</u>	<u>%</u>
Extremely Low Income Units	-	0%	-	0%	26	27%	25	26%	-	0%	-	0%	-	0%	20	21%
Very Low Income Units	10	10%	9	9%	26	27%	48	49%	-	0%	-	0%	26	27%	20	21%
Low Income Units	10	10%	40	41%	26	27%	24	25%	20	21%	49	51%	26	27%	40	21%
Moderate-Income Units (a)	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%	26	27%	17	38%
Market-Rate Units	77	79%	48	49%	19	20%	-	0%	77	79%	48	49%	19	20%	-	0%
Total Units	97		97		97		97		97		97		97		97	
Total Affordable Units (b)	20	21%	49	51%	78	80%	97	100%	20	21%	49	51%	78	80%	97	100%
Average AMI for Project	108%		99%		71%		45%		120%		108%		92%		75%	
Standard Financial Approach																
Development Cost																
Total Development Cost	\$ 59,460,958	\$ 70,741,869	\$ 70,331,707	\$ 69,899,505	\$ 63,162,286	\$ 74,985,162	\$ 74,985,162	\$ 74,985,162	\$ 63,162,286	\$ 74,985,162	\$ 74,985,162	\$ 74,985,162	\$ 63,162,286	\$ 74,985,162	\$ 74,985,162	\$ 74,985,162
Development Cost/Unit	\$ 613,000	\$ 729,298	\$ 725,069	\$ 720,613	\$ 651,158	\$ 773,043	\$ 773,043	\$ 773,043	\$ 651,158	\$ 773,043	\$ 773,043	\$ 773,043	\$ 651,158	\$ 773,043	\$ 773,043	\$ 773,043
Subsidy Needed																
Total Public Subsidy Needed	\$ -	\$ 40,542,335	\$ 49,835,793	\$ 59,863,851	N/A	\$ 27,300,791	\$ 34,660,705	\$ 46,080,003	N/A	\$ 27,300,791	\$ 34,660,705	\$ 46,080,003	N/A	\$ 27,300,791	\$ 34,660,705	\$ 46,080,003
Subsidy/Affordable Unit (b)	N/A	\$ 827,395	\$ 638,920	\$ 617,153	N/A	\$ 557,159	\$ 444,368	\$ 475,052	N/A	\$ 557,159	\$ 444,368	\$ 475,052	N/A	\$ 557,159	\$ 444,368	\$ 475,052
Funding Sources																
LIHTC/Bond (c)	N/A	\$ 12,984,374	\$ 20,643,746	\$ 25,631,802	N/A	\$ -	\$ -	\$ -	N/A	\$ -	\$ -	\$ -	N/A	\$ -	\$ -	\$ -
City HTF (d)	N/A	\$ 9,800,000	\$ 15,600,000	\$ 19,400,000	N/A	\$ 9,800,000	\$ 15,600,000	\$ 19,400,000	N/A	\$ 9,800,000	\$ 15,600,000	\$ 19,400,000	N/A	\$ 9,800,000	\$ 15,600,000	\$ 19,400,000
Other Sources	N/A	\$ 17,757,962	\$ 13,592,047	\$ 14,832,049	N/A	\$ 17,500,791	\$ 19,060,705	\$ 26,680,003	N/A	\$ 17,500,791	\$ 19,060,705	\$ 26,680,003	N/A	\$ 17,500,791	\$ 19,060,705	\$ 26,680,003
Enhanced Financial Approach (e)																
Development Cost																
Total Development Cost	N/A	\$ 60,363,755	\$ 59,953,593	\$ 59,521,391	N/A	\$ 60,363,755	\$ 59,953,593	\$ 59,521,391	N/A	\$ 60,363,755	\$ 59,953,593	\$ 59,521,391	N/A	\$ 60,363,755	\$ 59,953,593	\$ 59,521,391
Development Cost/Unit	N/A	\$ 622,307	\$ 618,078	\$ 613,623	N/A	\$ 622,307	\$ 618,078	\$ 613,623	N/A	\$ 622,307	\$ 618,078	\$ 613,623	N/A	\$ 622,307	\$ 618,078	\$ 613,623
Subsidy Needed																
Total Public Subsidy Needed	N/A	\$ 17,361,108	\$ 30,768,422	\$ 45,231,115	N/A	\$ 17,361,108	\$ 30,768,422	\$ 45,231,115	N/A	\$ 17,361,108	\$ 30,768,422	\$ 45,231,115	N/A	\$ 17,361,108	\$ 30,768,422	\$ 45,231,115
Subsidy/Affordable Unit (b)	N/A	\$ 354,308	\$ 394,467	\$ 466,300	N/A	\$ 354,308	\$ 394,467	\$ 466,300	N/A	\$ 354,308	\$ 394,467	\$ 466,300	N/A	\$ 354,308	\$ 394,467	\$ 466,300
Funding Sources																
LIHTC/Bond (c)	N/A	\$ 12,072,751	\$ 19,185,150	\$ 23,808,556	N/A	\$ 12,072,751	\$ 19,185,150	\$ 23,808,556	N/A	\$ 12,072,751	\$ 19,185,150	\$ 23,808,556	N/A	\$ 12,072,751	\$ 19,185,150	\$ 23,808,556
City HTF (d)	N/A	\$ 5,288,357	\$ 11,583,272	\$ 19,400,000	N/A	\$ 5,288,357	\$ 11,583,272	\$ 19,400,000	N/A	\$ 5,288,357	\$ 11,583,272	\$ 19,400,000	N/A	\$ 5,288,357	\$ 11,583,272	\$ 19,400,000
Other Sources	N/A	\$ -	\$ -	\$ 2,022,559	N/A	\$ -	\$ -	\$ 2,022,559	N/A	\$ -	\$ -	\$ 2,022,559	N/A	\$ -	\$ -	\$ 2,022,559

a) Affordable units are defined as ≤ 80% AMI for rentals and ≤120% AMI for ownership units.
 b) The Subsidy per Affordable Unit = total subsidy needed divided by the number of affordable units.
 c) To qualify for tax credits, mixed-income projects must legally separate the affordable and market-rate components, typically through a condominium structure.
 d) While this model assumes a City Housing Trust Fund (HTF) contribution of \$200,000 per unit, recent projects have received subsidies ranging from \$200,000 to \$300,000 per unit.
 e) The enhanced scenario tests the impact of cost reductions, reflecting strategies commonly used in social housing models abroad. In this version: (a) land costs are eliminated through the use of publicly-owned land, (b) permanent loan interest rate is reduced from 6% to 3%, and (c) construction costs are lowered by 8%.
 Sources: The Housing Workshop; Urban Math, 2025.

Summary of New Construction Findings

- **For rentals, the public subsidy is lowest for Rental Option A, which includes the highest share of market-rate units (50%) to maximize cross-subsidization.** Rental Option A requires \$40 million in public subsidy, compared to \$50 million for Rental Option B and \$60 million for Rental Option C. This highlights a central trade-off in social housing policy: while cross-subsidization can enhance financial feasibility, it results in fewer affordable units.
- **The Predominantly Affordable (Rental Option B) and the 100% Affordable (Rental Option C) scenarios produce more affordable units, allowing public subsidies to be spread across a larger number of affordable units.** Rental Option B, for example, provides 80% affordable units and requires \$50 million in public subsidies, resulting in a subsidy of approximately \$640,000 per affordable unit. In contrast, Rental Option A is less efficient, with a higher subsidy cost of \$827,000 per affordable unit. This gap is exaggerated by the current high-interest-rate environment, which reduces the permanent debt a project can carry. When interest rates are lower, around 3%, the subsidy per unit becomes more comparable across scenarios.
- **Although affordable homeownership through new construction requires less public subsidy than rental projects due to equity contributions from buyers, it is roughly three times more expensive than achieving affordable ownership through acquisition rehab.** In the 50/50 new construction scenario, with all affordable units priced at 80% AMI, the required public subsidy is \$445K per unit, lower than the rental project, but significantly higher than the \$150K per unit needed for the acquisition-rehab ownership model serving a similar income level.
- **Cost containment should be a central focus of new production.** Lowering development costs improves project feasibility by reducing total public subsidy required. Examples from Vienna and Denmark illustrate effective strategies, such as utilizing public land, modular construction, and where appropriate, designing smaller units to reduce costs. However, cost-containment should not come at the expense of habitability or sustainability. Vienna's model, for example, still maintains high aesthetic and architectural standards.
- **Low-cost capital is an effective strategy to address financing gaps.** Currently, high interest rates have sidelined many market-rate projects, as the cost of debt significantly reduces cash flow to equity investors, making new rental projects financially infeasible. Finding a way to access low-cost capital, both debt and equity, can unlock projects.

Across the country, jurisdictions are exploring innovative strategies to offer lower-cost capital for affordable and mixed-income housing.

- Montgomery County HOC issued bonds to create a revolving loan fund (Housing Production Fund) that acts as an equity investment, taking the place of traditional private equity in the capital stack.
- In Massachusetts, the state's housing finance agency known as MassHousing offers a one-stop financing platform for mixed-income developments, combining competitive senior debt through a partnership with Freddie Mac and low-cost equity by blending government capital with private equity and other sources.
- CalHFA's Mixed-Income Program aligns well with social housing goals, combining subordinate financing with CDLAC-issued tax-exempt bonds to support projects serving households earning 30–120% of AMI, which goes beyond the tax-credit income limits. Berkeley should actively promote and leverage this program as part of its housing strategy.
- In Seattle, voters recently approved a 2025 ballot measure that creates a new revenue stream for social housing through a 5% payroll tax on the portion of employee compensation exceeding \$1 million annually.
- Locally, the San Francisco Housing Accelerator Fund launched BAHIF, which blends philanthropic and other capital to offer favorable loans for cost-saving projects, potentially reducing or eliminating the need for LIHTC.
- Finally, BAHFA is planning an Innovation Funding Program to provide flexible revolving loan capital.

Berkeley has several strategic opportunities to access lower-cost capital and should evaluate options to inform a long-term funding plan. It could partner with the Berkeley Public Housing Authority to explore bond issuance, prepare for BAHFA's anticipated Innovation Funding Program, or seek voter approval for its own bond measure. Given the range of viable options, the City should assess potential funding strategies as part of a strategic plan to guide next steps.

- **With cost-reduction strategies such as no cost land, low-interest financing, and design efficiencies, Rental Option A becomes feasible with just \$17M in public subsidy.** In the enhanced versions of this scenario, even with a 50/50 market-rate and affordable mix, the combination of no-cost public land, favorable financing terms, and cost containment significantly lowers the public subsidy required. This mirrors the approach used by Montgomery County's HOC through its Housing Production Fund. Berkeley could adopt a similar negotiated strategy, offering incentives like free land or low-cost financing in

exchange for higher-than-required inclusionary percentages. To close remaining funding gaps, the City could allocate local funds, establish its own Housing Production Fund, or seek support from sources such as the Housing Accelerator Fund (HAF) or the Bay Area Housing Finance Authority (BAHFA).

- **Although delivering affordable homeownership through new construction is generally more costly than through acquisition-rehabilitation, it remains a strategy for equity building.** By incorporating ownership models such as limited-equity cooperatives or community land trusts, new construction can provide permanently affordable, non-speculative homeownership opportunities that promote long-term housing stability and support modest wealth-building for lower- and moderate-income households.
- **It is challenging for Berkeley to independently generate the level of funding needed to deliver social housing at scale, particularly if the focus is on housing for extremely low- and very low-income households who face the greatest housing cost burdens.** New construction is expensive, and the City cannot realistically cover the full cost without other assistance as these projects usually rely on LIHTC and other public funding. To make a real impact, Berkeley should partner with state and regional agencies and help shape programs that support social housing. While the City's HTF may be sufficient to support acquisition-rehab projects, delivering new construction at scale will require deeper collaboration and co-investment with external partners. The City should lead advocacy efforts to expand State and regional funding to align with its social housing goals.

Focus Group Feedback on Social Housing Examples

As described in Appendix A, research for this report included convening a focus group of current tenants in Berkeley across all income levels to discuss housing issues and the social housing framework. From among over 20 applicants, 12 participants were invited, and 8 attended. The invitees were selected to provide a balance of ELI, VLI, LI, MI, and market-rate household incomes. All participants were renters.

The following provides a thumbnail of each of the 8 focus group participants.²¹

1. A (ELI) – approximately late 30s female person of color (POC) living with three children in a one-bedroom unit in Oakland. Participant A sleeps in the living room and would love a larger affordable unit in Berkeley.
2. B (MI) – approximately early 30s White male living with his partner in market-rate housing in Berkeley.
3. D (> 120%) – approximately early 30s White male living in market-rate 4-plex in Berkeley.
4. K (VLI) – approximately late 30s female POC living in one-bedroom at a Northern California Land Trust property in Berkeley.
5. KA (VLI) – approximately early 50s female POC living with extended family members in “too small” of a unit in Berkeley, hoping some of her adult children could find other housing so she would have less crowding.
6. L (VLI) – approximately mid-40s female POC living with her son in a “good situation” in Berkeley.
7. N (MI) – approximately early 30s White female who had recently moved from East Coast city to Berkeley for a new job, living in a studio in market-rate building in Berkeley.
8. P (ELI) – approximately late 20s female POC with a special needs child, with a Section 8 voucher and other social services (she referred to her excellent social worker “team” several times), living in a one-bedroom rental in Berkeley, but had recently been approved for a two-bedroom unit.

²¹ Racial and ethnic descriptors used in the participant thumbnails are based on a combination of self-identification and perceived characteristics during the focus group. In some cases, participants explicitly described their racial or ethnic identity; in others, descriptors were inferred based on commonly understood visual or contextual cues. These identifiers are included to help highlight the range of lived experiences represented in the group and are not intended as formal demographic classifications.

Satisfaction with Current Housing and Challenges in Most Recent Housing Search

The focus group facilitator started out by requesting a brief description from each participant of their current living situation and how they felt about it. Most were relatively satisfied to pleased with their current living situation other than the high cost, with several also expressing feelings about Berkeley as their strong community of choice. Participants mentioned concerns with their current living situation in overcrowded conditions and/or their current unit size not aligning with their changing life stage (as children aged or as the person was planning to have children).

Next, they were asked about their most recent housing search, yielding stories about both the search itself with varying degrees of challenge and negative stories about prior living situations. The theme that emerged from this discussion, especially among the female participants with lower incomes, was about their lack of personal safety, especially from prior landlords or their management designees (mentions of cameras everywhere controlled by prurient interest, or a “known pedophile” in charge of a building, etc.).

Rental Housing in a Social Housing Configuration

Next, the facilitator outlined the five principles of social housing, including emphasizing mixed-income, permanent affordability at 30% of income for those who could not afford market-rate housing, public or nonprofit ownership, and tenant governance. Two examples of potential social housing buildings were presented (as described in this chapter) – the acquisition/rehab on Dwight Way, and the newly approved project on Shattuck Avenue. Although the facilitator presented these as examples, some of the participants offered opinions about which example was more appealing.

The facilitated discussion then explored social housing in a rental situation, using both example projects. Many themes emerged from this discussion including:

- General agreement that mixed-income housing was an appealing concept to all participants, with some caveats (see below). It was notable that among the participants, a good rapport was present as the discussion unfolded, representing how this mix of incomes among participants could start to form a community when imagining living together.
- K (living in a form of social housing in a Northern California Land Trust building) mentioned that one of the strengths is the formation of a community among her neighbors. However, she also discussed the challenge of mixed life stages, with seniors potentially needing more care than the community could provide.
- Almost all participants, when discussing a rental social housing concept, selected the smaller Dwight Way building as more desirable than the large Shattuck Avenue building, mostly because it was immediately recognized that a more stable, congenial community

could be formed in the small project with a more “homey” feel. The one exception to this was KA, in her mid-50s, who loved the idea of the Shattuck project, describing the appeal of having her own space and the convenience of a café on the ground floor.

- Another interesting theme was the need across income levels to provide units meeting housing needs at different life stages, so that a single person or a young couple today wanting to have children could move to a larger unit, or if income rose, the person’s household could obtain a larger unit. One participant connected this idea to their interest in the Shattuck Avenue project, which offers a broader mix of unit sizes compared to the Dwight Way project.
- The discussion shifted to more complexity when the group was asked about tenant governance and property management of a rental project. Possibly because each participant had already described that their current landlord was not an issue, none of the participants had a strong interest in tenant governance. Discussions centered on how implementation of this social housing principle would require rules and a governing board to expedite consensus and the need for professional property management and maintenance. Several participants then mentioned concerns about class and cultural diversity, and how those could clash in a mixed building with strong tenant governance (e.g., some wanted evening “quiet hours” and limited parties, others said they wanted the freedom to play loud music at all times).

Ownership Housing in a Social Housing Configuration

The facilitated discussion then shifted to ownership housing, which engendered many questions from the lower income participants in terms of how ownership would work relative to long-term appreciation, and questions from the moderate income/higher income participants about how this type of housing would be subsidized and how appreciation would work for the market-rate owners. Once these concepts were clarified, the following themes emerged:

- The lower income participants were universally eager to learn more about the opportunity offered by ownership housing in a social housing configuration. None of these participants seemed concerned about a limited or shared appreciation model, once the concept was explained fully. Some of the moderate to higher income participants were also interested in this configuration, but with some hesitancy.
- One participant preferred that the developer be a nonprofit rather than direct public sector ownership due to concerns about fluctuating public sector funding affecting property maintenance over the long term. Another participant in this income band expressed concern about how a mixed-income model might affect the appreciation of their own unit, and felt they would need more information to gauge interest.

6. Opportunities for Social Housing in Berkeley

Berkeley’s housing needs across income levels, along with its near-term production goals, pose numerous challenges; many residents consider housing in Berkeley, the broader region, and the nation as at “crisis” levels. With housing costs reaching crisis levels, this is a unique moment to rethink how the City and public institutions deliver housing and set a bold example for the country on what is possible at the local level. Moments of crisis can produce new opportunities, an approach that the burgeoning social housing movement seeks to capture.



Achieving the goals and principles of social housing in an American context will require a reframing of affordable housing strategies at the state, regional, and local levels. As noted previously in this report, the State of California is currently studying this concept and how it could be implemented statewide. This effort will undoubtedly involve collaboration between state, regional, and local jurisdictions including the City of Berkeley.

The recommendations in this chapter can be considered as a head-start on preparing locally for potential changes to the statewide system of new unit delivery, particularly in the short term as the federal government withdraws further from a subsidized affordable housing approach. To provide a roadmap, the recommendations are organized into short-term strategies the City can implement now, and long-term approaches focused on developing a housing system that more closely aligns with the principles of social housing.

Recommendation 1: Short-Term Actions

The recommendations in this section outline near-term steps the City of Berkeley can take to advance social housing in the next 1 to 3 years. They are grouped into four categories: building partnerships, aligning with social housing principles, improving delivery methods, and exploring potential pilot projects.

A. Strengthen Strategic Partnerships with Local Affordable Housing Providers

A1. Convene Nonprofit Housing Providers to Discuss Social Housing

The City of Berkeley can take an early step toward social housing by bringing together local affordable housing providers and community land trusts to explore more flexible, human-centered approaches. The aim is to begin shifting from an income-targeted system to one that feels more universally accessible, where people at different life stages can find stable, affordable housing that meets their evolving needs.

One action is to encourage collaboration among nonprofits to support transitions across their housing portfolios. For example, a household that begins in a LIHTC unit and later earns more income could be supported in moving toward affordable homeownership through another nonprofit partner. By fostering these types of transitions and branding social housing as adaptable and inclusive, Berkeley can begin laying the groundwork for a more universal, dignified housing system. Convening these groups also creates an opportunity to collaborate and innovate around what social housing could look like in Berkeley.

A2. Create Closer Partnerships with At-Scale Nonprofit Housing Developers

The Turner Center's statewide social housing study will explore how larger, established nonprofit housing developers could help implement social housing concepts. Berkeley has a strong network of experienced nonprofit developers already working at-scale. Interviews for this report showed that some of these groups are interested in doing more mixed-income housing, especially if state funding becomes available.

Larger nonprofits, like BRIDGE Housing, have also shown that it is possible to acquire sizable market-rate properties without public subsidies using a mixed-income model. BRIDGE's acquisition of the Avalon property created a 50/50 mix of affordable and market-rate units, with a 55-year regulatory agreement that qualified the project for a partial property tax exemption. The City can build on this approach by partnering with Berkeley's larger nonprofits to identify more opportunities to convert existing units in larger buildings into long-term affordable housing.

A3. Continue Supporting Local Community Land Trusts

There are two CLTs based in Berkeley: the Northern California Land Trust (NCLT) and the Bay Area Community Land Trust (BACLt). NCLT stewards 118 permanent affordable rental and ownership units across 22 properties in Berkeley and Oakland and is working on a new construction 65-unit ownership project. BACLt focuses on the cooperative ownership model, stewarding almost 100 units across 10 properties in Berkeley and Oakland.²² While the City provides capacity-building funding and project loans to its two active CLTs, it has been challenging to bring CLT's throughout the Bay Area to scale to address the housing crisis.

A key advantage of using a CLT model for social housing centered on resident ownership stems from SB 196 (2019), which allows CLTs to secure property tax exemptions in for-sale projects, significantly lowering the cost of homeownership. Since CLTs typically rely on the city's Small Sites Program for funding, there is flexibility to innovate in ways that reflect social housing principles. The City can pilot aspects by supporting efforts like shared waitlists across CLTs and simplifying income certification and leasing to improve the tenant experience. With continued City investment, this approach could be used to acquire and rehabilitate older rental properties, like the Dwight Way example.

Achieving housing for all in Berkeley will require acquiring and building thousands of permanently affordable units, an effort on the scale of major infrastructure projects that cannot be met by small community-based models alone. An analysis is needed to identify how CLTs can scale their stewardship to support a broader range of local housing delivery reforms.²³ This highlights the need for sustained investment in organizational capacity, including ongoing funding for staffing and operations, to ensure these groups have the resources needed to grow and manage a larger portfolio.

A4. Continue to Work with the Berkeley Housing Authority to Align Efforts

Continue collaboration between the City of Berkeley and the Berkeley Housing Authority to clarify each entity's roles and powers, explore areas of alignment, and identify opportunities for collaboration in advancing social housing goals. The City and BHA can explore a mid-term partnership focused on coordinated efforts in land acquisition, project financing, and long-term stewardship. This can also include exploring joint financing opportunities, such as Public Housing Authority bond issuance, to support access to lower-cost financing.

²² See: <https://www.nclt.org/> and <https://www.bayareactl.org/>

²³ An example of this type of analysis, which helps bring smaller CLTs to scale by quickly studying past lessons learned and framing future public sector support can be found at: <https://www.taxcreditadvisor.com/articles/considering-a-scattered-site-tax-credit-project-be-aware-of-the-special-issues-and-necessary-skills/>

B. Pilot Closer Alignment with Social Housing Principles

One of the core principles of social housing focuses on tenant governance, which seeks to give residents in a social housing project agency over their housing, as well as build community in a way that is vital to successful mixed-income projects.

Through the City of Berkeley's active participation in funding many affordable projects, this set of strategies could be integrated into City best practices though coordinating closely with affordable housing providers to enhance tenant governance and rent transparency in City-supported projects. Lessons from these short-term efforts could help inform more robust mid-term strategies around tenant governance in the Strategic Plan. Short-term strategies include:

B1. Promote Tenant Leadership

Most nonprofit housing providers already engage tenants through tenant councils and/or annual meetings, and interviews with active housing providers indicated openness to deepening this work. Interviews also indicated that some providers have experimented with tenant input and leadership on community-building activities, such as social programming and artwork selection. Also, in the focus group of Berkeley residents discussing mixed-income housing, several spoke about challenges that can arise when mixing cultures and socio-economic backgrounds; a more active tenant-led governance model in social housing projects may help to meet these challenges.

The City could support tenant leadership by providing a brief Best Practices guide for housing providers, sponsoring training sessions for tenant representatives from City-supported projects, offering workshops on forming tenant unions, and convening an annual Tenants' Governance Summit to foster knowledge-sharing, build capacity, and strengthen tenant leadership across the housing system.

B2. Pilot Annual Financial Transparency Meetings

To promote transparency and build trust in affordable housing operations, Berkeley could adopt a transparency model, similar to the approach used in Vienna. Under this practice, at an annual meeting, residents would receive a clear breakdown of their building's finances, including total annual rent collected, operating expenses (e.g. maintenance, utilities, management fees), capital reserves, planned improvements, debt payments, and other key components. The City could test this approach as a voluntary pilot with two to three properties that have City funding. If it demonstrates improved tenant understanding and engagement, this practice could be expanded and made a requirement for all housing developments receiving City funding.

B3. Pilot Participatory Budgeting

To strengthen resident engagement and increase transparency, Berkeley could pilot a participatory budgeting model, inspired by practices in Denmark, where residents of nonprofit housing estates vote annually on their building's operating budget. In the U.S., participatory budgeting is already used in some cities at the municipal level (for capital expenditures); extending this practice to publicly owned or nonprofit-managed housing would formalize resident input into decisions around operating costs, maintenance priorities, and capital improvements.

This model could begin with an annual resident meeting at each property, coordinated in collaboration with professional property managers. Property managers would play a central role by preparing and presenting clear, accessible budget summaries outlining past expenditures, current financial conditions, and projected costs. These presentations would be accompanied by translated materials and facilitation to ensure inclusive participation. Residents would have an opportunity to provide input, raise questions, and vote on budget priorities, such as how much to allocate to landscaping or social programming.

B4. Integrate Enhanced Tenant Governance into City Funding Agreements

To scale the approach, Berkeley could integrate enhanced tenant governance, rent transparency, and participatory budgeting requirements into local funding agreements or offer incentives to housing providers who adopt the model. Over time, this structure could be institutionalized through resident councils and supported by digital tools to ensure accessibility and accountability across the City's affordable housing portfolio.

C. Improve Delivery Methods and Funding

C1. Continue Supporting Berkeley's Small Sites Program as a Social Housing Model

Berkeley's Small Sites program reflects key principles of social housing by combining public investment with long-term community stewardship, particularly because the Small Sites projects to date have been completed by local CLTs. The program is designed to achieve deeper affordability by cross-subsidizing with market-rate units. The current NOFA measures affordability at the building level, with a goal of achieving an average of 80% AMI. This structure allows for cross-subsidization while maintaining a focus on long-term affordability and community ownership. To strengthen support for the Small Sites program, it is recommended that the City:

- **Review Program Guidelines and Strengthen Social Housing Components.** A key advantage of local funding is the flexibility it offers. Without the constraints of larger state or

federal funding programs, the City has greater discretion to tailor policies that align with broader social housing goals. As the City defines these goals, it should review the Small Sites Program guidelines to ensure optimal integration of social housing principles. This could include introducing requirements such as tenant governance for projects receiving City Housing Trust Fund support or limiting income verification to the time of initial occupancy to promote long-term housing stability.

- **Identify Sustainable Funding Source for Small Sites Program.** To strengthen the Small Sites Program, it will be necessary to identify stable and expanded funding. Historically, Council has earmarked portions of the City's Housing Trust Fund to Small Sites. A reliable and ongoing funding source would be key to scale the model.

C2. Encourage Cost Containment

To effectively scale social housing, the City should encourage cost containment as a central consideration in both policy and project development. Case studies and financial analyses show that accelerating approvals processes and lowering development costs reduces the required public subsidy, allowing more projects to move forward within existing funding constraints.²⁴

For example, the Housing Accelerator Fund is offering flexible financing to encourage developers to innovate and lower costs. It is pioneering two loan products: the Industrialized Construction Catalyst Fund²⁵ to focus on modular construction as a cost-containment strategy, and the Bay Area Housing Innovation Fund²⁶ to focus on cost-containment for projects trying new, cost-saving approaches. In the short-term, Berkeley could partner with HAF on a pilot project that prioritizes cost efficiency as a core expectation in a social housing pilot (see Recommendation D1 below). Projects can test strategies like smaller unit sizes, modular construction, or simplified design.

C3. Creatively Leverage City-Owned Properties to Incorporate Social Housing

On an ongoing basis, the City invests in capital improvements to its facilities, renews long-term leases, and oversees inter-agency public agreements. In the short-term, the City could creatively seek opportunities to leverage some of these activities during the planning phase, to capture additional mixed-income housing development opportunities on City-owned or other publicly-owned land, reducing downstream subsidy needs.

²⁴ The City of Berkeley has implemented numerous streamlined residential permitting processes to reduce the housing project approvals process. For reference, see Strategy H-34 and also Programs 31, 32, 33, and 39 in the Berkeley Housing Element at: https://berkeleyca.gov/sites/default/files/documents/Berkeley_2023-2031%20Housing%20Element_02-17-2023v2_0.pdf

²⁵ See: <https://www.sfhaf.org/2025/02/28/housing-accelerator-fund-launches-industrialized-construction-catalyst-fund-to-deliver-affordable-homes-faster-through-construction-innovation/>

²⁶ See: <https://www.sfhaf.org/bay-area-housing-innovation-fund/>

D. Pilot Programs and Projects

D1. Pilot a Mixed-Income Project using Existing Funding Sources

The California Housing Finance Agency's (CalHFA) Mixed-Income Program (MIP) is already structured around a mixed-income model and could serve as a strong foundation for piloting a new construction project that demonstrates how social housing can work in Berkeley. MIP includes a CDLAC bond allocation set-aside, providing a dedicated state funding source that reduces reliance on limited local subsidies. The program offers long-term subordinate loans for multifamily developments serving households between 30% and 120% of AMI, with requirements that ensure a balanced and inclusive income mix, at least 30% of units below 50% AMI (including 10% below 30% AMI), 10% between 60–80% AMI, and the remainder below 120% AMI, as long as the overall average is no more than 60% AMI. MIP loans are paired with 4% tax credits and tax-exempt bonds. Given its alignment with social housing income targets, Berkeley should consider issuing a Notice of Funding Availability (NOFA) to promote the use of MIP in an upcoming project and evaluate its potential as a scalable social housing model. This would offer an opportunity to pilot a project that serves a broad range of incomes and test how well it aligns with social housing goals.

In addition to MIP, Berkeley can explore partnerships to prioritize cost efficiency as a core expectation in a social housing pilot. The City of Berkeley could explore working with HAF by issuing an RFP for a specific site. If the project can meet cost and time efficiency goals, it may qualify for funding from the Industrialized Construction Catalyst Fund or BAHIF, which can eliminate the need for competitive LIHTC. This kind of financing can expedite affordable housing development by avoiding the delays often associated with tax credit funding. This model could be especially well-suited for projects with smaller unit sizes, such as those serving young adults or seniors.

D2. Pilot a Social Housing Acquisition-Rehab Ownership Conversion Project

Acquisition-rehab is a lower-cost alternative to new construction and presents a more cost-effective path to expanding homeownership opportunities, especially through models that build resident equity. While Berkeley's Small Sites Program focuses on rental housing, the city's shortage of affordable homeownership options suggests the need to broaden this approach. With limited funding, acquisition-rehab stands out as a practical strategy. Berkeley could pilot a project converting a small multifamily property into a Limited-Equity Housing Cooperative (LEHC), helping to build the capacity of local community land trusts or affordable housing developers to implement similar models. This would also serve as a test case for integrating social housing principles, such as tenant governance, participatory budgeting, limiting income

verification to initial occupancy, and other components to align with social housing principles.

D3. Actively Engage in State Social Housing Funding Initiatives

Berkeley city staff should engage with the Turner Center and UC Berkeley's Othering and Belonging Institute. Both of these research centers are currently advising State housing agencies as the SB 555 California Social Housing Study progresses. Active engagement will ensure Berkeley's perspectives and priorities are reflected in the statewide conversation.

Recommendation 2: Affordable Housing Strategic Plan

To reframe and integrate social housing across Berkeley's affordable housing delivery system, the City should undertake a process to develop an Affordable Housing Strategic Plan. This would serve as a mid-term strategy, guiding efforts over the next 10 or more years. The process to formulate the Plan may require a year of data collection, public engagement, and policy discussions. Key components of the Plan should include:

A. Define Policy Goals

An important step in developing a strategic plan is to clearly define the city's policy goals, such as desired ownership structures, income mix, tenure, and levels of tenant engagement. These goals may vary and evolve based on available funding and resources. This process should align with the RHNA cycle but also look more broadly at changes underway in federal, state, and regional affordable housing delivery systems. One way is to begin by establishing a long-term target for the share of income-restricted housing in Berkeley's overall rental stock. Currently, about 9% of the city's rental units are income-restricted; the City can use this planning effort to set a vision for the next 10 or more years.

A key aspect of social housing that surfaced during research for this report is which household income levels social housing should serve. Some advocates view social housing as a tool to address the needs of those at the lowest end of the income spectrum, filling gaps left by the market. Others see it as a way to serve moderate-income households, those who may not qualify for subsidies but still struggle to access homeownership in today's market. In between these points of view, a third perspective envisions social housing as intentionally serving a mix of income levels, from the most vulnerable to moderate income and even market-rate households, using cross-subsidization to reliance on public subsidies and enhance financial sustainability.

These variations of how social housing can be implemented in Berkeley can be accommodated in individual projects, or across a portfolio with projects targeting different parts of the income spectrum. Defining policy goals will guide future investments and clarify expectations for developers and the community.

In addition to defining income targets, the City's housing policy should also identify key subpopulations that represent different life stages present in Berkeley, such as seniors aging in place, young adults entering the workforce, families with children, and university students facing housing insecurity. These groups have distinct housing needs that should inform goal-setting and resource allocation.

To better understand the housing needs of a significant segment of the population, conduct a University Student Housing Needs Survey. Berkeley's large student population represents a unique influencing factor in the local housing market. This effort is needed to refine available data regarding the impact and needs of students across the income spectrum as well as their relationship to more long-term residents with overlapping housing needs. Data collection should include a statistical sampling to develop estimates of students by undergraduate (year), and graduate/PhD analyzed by household size, household income, rent paid currently, rent burden, patterns of housing search, and future housing needs. UC Berkeley has several data, housing, and public policy institutes that could serve as leaders in this initiative.

To ensure the City's Strategic Plan reflects community needs, values, and priorities, the City should conduct a robust stakeholder engagement process as part of the study. This process should include outreach to affordable housing providers, community land trusts, tenant organizations, housing advocates, equity-focused groups, market-rate developers, and residents with lived experience in Berkeley's housing system.

B. Determine the City's Role in Housing Development and Ownership

Social Housing models vary in terms of government capacity and role. As part of the Strategic Plan, the City should define its intended role in the development, ownership, and long-term stewardship of affordable and social housing. The City should consider a continued role as a funder/facilitator or a transition towards direct public ownership and development (e.g., Montgomery County, Seattle).

The Strategic Plan should outline how the City will collaborate with the Housing Authority and nonprofit partners to leverage their respective strengths, avoid duplication, and pursue shared goals. This evaluation should consider governance structure, staffing capacity, legal authority, and access to financing tools such as tax-exempt bonds or project-based vouchers. This evaluation will provide the foundation for building a coordinated delivery system.

The Berkeley Housing Authority has established Affordable Housing Berkeley, Inc. (AHB), a new subsidiary with the goal of developing new residential projects. These projects would be funded through proceeds from the sale of its property inventory and other potential tools available to Public Housing Authorities (PHAs). The new development subsidiary has not yet built up staffing or expertise to oversee at-scale project development, but a partnership between the City and the BHA could lay a foundation for an at-scale development authority in the future. This could combine bonding authority with a coordinated approach to social housing production and preservation. Initially, this arrangement could also be implemented by engaging an experienced developer on a fee basis, while the public authority retains ownership.

C. Conduct Social Housing Sites Inventory

Identifying no- or low-cost land for new construction housing projects will be essential to social housing initiatives. As noted in Appendix A (Report Methodology), Berkeley has limited City-owned land that is both readily developable and zoned for multifamily housing. In addition, during the formulation of the 2023-2031 Housing Element Update, the City conducted a detailed assessment of developable Opportunity sites; however, this process used criteria to eliminate identification of sites not already zoned for residential use, and also did not focus on publicly-owned land (particularly by other public agencies).

This recommendation takes an inverse approach to identify additional no- or low-cost sites, including underutilized or surplus public land or sites that may be available for affordable housing by mission-driven owners open to low-cost transactions. Land acquisition is one of the most significant drivers of total development cost; every dollar saved on land reduces the subsidy needed to serve lower income households. The following list provides a starting point for a broader search, which can be conducted by reviewing the Alameda County Assessor's property database with follow-up on selected properties.

- **Sites/Underutilized Buildings Owned by City.** There may be sites owned by the City not currently zoned for residential use, and other sites currently occupied by underutilized buildings or City-owned buildings slated for renovations such as the South Berkeley Senior Center. In addition, the City Auditor recently released a memorandum describing City properties currently under leases or licenses to other users along with recommendations for improved property oversight; these may offer potential for redevelopment in future years.²⁷
- **Sites/Buildings Owned by Other Public Agencies.** A thorough review of the Alameda County Assessor's database could identify these additional sites owned by other public agencies such as EBMUD, PG&E, USPS, Caltrans, BART, UC Berkeley, and the Berkeley Unified School District.
- **Sites/Underutilized Buildings Owned by Religious Organizations.** Another category of potential social housing sites that could be obtained through low-cost ground leases or purchase by the City is property owned by churches or other religious institutions. These properties have the benefit of new state laws to streamline entitlements, such as SB4 (adopted in 2023). This law enables the eligible institutions to utilize their property to develop 100% affordable housing projects "by right," avoiding rezoning and other

²⁷ See:

https://berkeleyca.gov/sites/default/files/documents/2009_Leases_Audit_Follow_Up_Berkeley_Faces_the_Same_Risks_16_Years_Later.pdf

sometimes lengthy approval processes.

- ***Privately-Owned Sites with Functionally Obsolete Uses.*** At the private property level, there are many functionally obsolete low density commercial properties throughout Berkeley's commercial corridors, such as older auto mechanics shops, office buildings, closed former retail bank buildings, and many types of retail with shrinking footprints due to increased e-commerce and other shifts in the local economy.

D. Formulate a Funding Strategy

There are several potential options for creating a local funding strategy, which should be shaped by the goals of the Strategic Plan as well as the availability of new regional and state resources. As programs such as the statewide social housing initiative and BAHFA's regional funding efforts continue to develop, the Strategic Plan should clearly outline how Berkeley's social housing program could take advantage of these funding sources. In the mid-term, local funding tools that could be considered include:

- Voter-approved bonds similar to Measure O
- Parcel tax
- Local high earner employer tax such as the initiative recently approved by voters in Seattle to fund its Social Housing Seattle²⁸
- Creation of a Berkeley Fund modeled on the Housing Accelerator Fund²⁹ combining contributions from large organizations active in social impact funding.

The City should also evaluate whether to pursue the creation of a local financing tool modeled after Montgomery County's Housing Production Fund (HPF). This revolving loan fund, backed by public capital and administered by a public entity, has allowed HOC to accelerate the production of mixed-income housing without relying solely on traditional, competitive funding sources. A similar tool in Berkeley could provide financing for social housing projects, especially those led by the City, the Housing Authority, or nonprofit partners. The City should assess the legal, financial, and administrative structures needed to establish such a fund, including whether it would be housed within an existing agency like the Berkeley Housing Authority or managed through a new public development entity.

²⁸ See: <https://www.socialhousingseattle.org/>

²⁹ See: <https://www.sfhaf.org/>

E. Establish Formal Cost Containment Standards

The City can formalize cost containment standards for social housing projects, based on innovations tested in partnership with the HAF and other pilots. Potential standards could include unit size limits to control construction and operating costs, legally defined per-unit cost ceilings to discipline in design and development, caps on developer fees, and guidance on material selection and design efficiencies. Establishing these standards can lower production costs and support the scalability of social housing.

F. Encourage Innovative Public Financing Tools to Reduce Infrastructure Costs

The City can actively pursue innovative public financing mechanisms, such as Enhanced Infrastructure Financing Districts (EIFDs) to reduce predevelopment and infrastructure-related costs. EIFDs can play a crucial role in unlocking sites for social housing by funding critical upfront investments like utility upgrades, environmental remediation, and public amenities without increasing the financial burden on individual projects.

A comparable example is the proposed EIFD for Ashby BART, where tax increment financing would fund public amenities and infrastructure. The City can replicate this model in other areas, such as Specific Plan areas, to help reduce development costs for social housing. By capturing future property tax growth, EIFDs can cover expenses like streets, utilities, and public improvements, removing these expenses from individual projects. This approach also supports long-term planning by channeling growth and investment into priority areas.

G. Strengthen Strategies to Decommodify Housing

The City should explore strengthening strategies to decommodify housing, shifting it from a profit-driven asset to a community-centered public good. This includes continuing strategies to decommodify housing by preserving affordability in expiring properties and embedding long-term protection in new developments. The City typically preserves and extends affordable housing deed restrictions on LIHTC projects via rehabilitation loans. The City should identify dedicated rehabilitation funds to support project longevity and secure long-term affordability. For new affordable housing developments, the City should explore additional mechanisms that ensure long-term decommodification from the outset, such as incorporating a right of first refusal or public ownership options into funding agreements.

Additionally, the City should consider additional strategies to gradually decommodify segments of the unsubsidized housing stock. While State law limits rent control, policies like COPA (Community Opportunity to Purchase Act) or TOPA (Tenant Opportunity to Purchase Act), paired with dedicated acquisition funding, could assist the City or nonprofit partners to convert existing market-rate units into permanently affordable housing over time. The Strategic Plan should

assess the full range of policy tools, funding mechanisms, and regulatory frameworks needed to support this transition toward a more stable, community-controlled housing system.

H. Formalize Tenant Governance Structures

The City should formalize tenant governance practices to ensure meaningful, ongoing resident participation in decision-making. Building on pilot efforts, the City can establish a clear framework for tenant engagement that includes participatory budgeting, where residents have a formal role in reviewing and approving building budgets. This process should be structured to work collaboratively with professional property management, ensuring that residents are supported by transparent information and capacity-building tools while allowing management to meet regulatory and operational responsibilities. To support this, the City should also institutionalize cost transparency practices, such as providing tenants with clear, cost-based rent statements that break down how their monthly payments support building operations, maintenance, and financing.

To make tenant governance meaningful and equitable, the City must also invest in tenant education and support services. Tenants need to understand their rights, including the right to form unions, and have access to resources when issues arise. Affirming the right to tenant governance means ensuring the infrastructure exists to support it, including funding for education, facilitation, translation, and technical assistance.

I. Design a Human-Centered, Life-Stage Responsive Social Housing System

As part of its Affordable Housing Strategic Plan, the City should aim to develop a human-centered housing system that supports people across different life stages, reflecting the values of universal access seen in many European models. In these systems, social housing is viewed not as a last resort, but as a public good, similar to health care, that people can rely on at key moments in their lives: when starting out after school, raising a family, or aging on a fixed income. For example, in Denmark, purpose-built housing exists for young people, small, affordable units designed to support individuals as they begin their careers after graduation. Similarly, seniors often have unique needs as they transition into retirement or live on fixed incomes. In Berkeley, the large student population is a major influence on the local housing market. As part of a mid-term strategy, the City could conduct targeted surveys of both students and seniors to better understand their housing needs and guide the development of appropriately scaled, affordable housing options.

This approach recognizes that housing needs change throughout a person's life. By intentionally creating and branding housing for different life stages, whether for students, working adults, families, or seniors, the City can help shift perceptions of affordable housing from being need-

based or stigmatized to being a universal, inclusive public good.

This strategy should also focus on reframing affordable housing in Berkeley to emphasize dignity, flexibility, and responsiveness. That means designing policies and programs that allow households to adjust their housing as their needs change, such as moving into larger units when their families grow or downsizing as they age. It also includes improving how waitlists are managed and prioritizing access for those facing urgent or transitional needs. Ultimately, the goal is to build a housing system that is centered on people, not just units, and coordinated with supportive services where needed. As part of this shift, the City should also consider how branding and communications can help reshape public perception of social housing as a universal, community-oriented option.

Appendix A: Methodology for Report

Social housing has been rising as a strong theme in affordable housing policy discourse throughout the United States for the past several years. While this report presents a summary of recent literature and common principles of social housing advanced by various advocacy groups, the implementation of the concept at the local level is still evolving. Aspects of the concept can vary based on the advocacy focus. For example, some tenant unions and organizers connect social housing with tenant governance and ownership models, such as Tenant Opportunity to Purchase Act (TOPA), which provides tenants a legal pathway, and in some cases, funding, to purchase their buildings from the private owner upon sale. Other advocates draw inspiration from European models that evolved after World War II when publicly owned housing was needed to rebuild and accommodate population growth. This study focuses primarily on social housing's applicability to the City of Berkeley, with European models providing background in how large-scale social housing systems have evolved.

The findings of this report are based on research and analysis per the following steps:

1. **Literature Review.** Background research for this study involved extensive literature review which is compiled in Appendix D: Additional Resources.
2. **Local Stakeholder Interviews.** Feedback from local stakeholder interviews is incorporated throughout this report. The consultants interviewed local stakeholders in Berkeley and the broader East Bay region who have functioned as advocates of social housing or could potentially be implementation organizations for a new local social housing program. Advocacy group interviewees included East Bay for Everyone, Healthy Black Families, and the Othering & Belonging Institute (at UC Berkeley). Additional potential social housing implementation partners interviewed include the Berkeley Housing Authority, Northern California Land Trust, Bay Area Community Land Trust, BRIDGE Housing, Insight Housing, RCD, SAHA, EBALDC.
3. **Case Studies.** European models of social housing are frequently highlighted in literature and conferences discussions. For this study, two international examples were selected: Vienna, a city often cited in media profiles for its extensive municipal housing system, and Denmark, which operates a nationwide system of affordable social housing. Additionally, Maryland's Montgomery County Housing Opportunities Commission, which has been developing mixed-income projects as a public agency in innovative ways, is considered a model of adaptation of some social housing principles within the American context.
4. **Review of Available City-Owned Properties.** The initial premise of the study was to demonstrate the feasibility of a social housing program on City-owned land that could be

made available at no cost to contain newly constructed affordable social housing units. Land costs typically constitute 20-40% of total new development costs, so the elimination of the cost of land from a project immediately enables it to achieve more affordability.

City staff had been in the process of identifying potential City-owned housing sites when the study team commenced its work in spring 2024. First, in 2016, the City Council directed the City Manager to explore city-owned sites for possible affordable housing development. On February 14, 2017, staff provided a report to the City Council with extensive detail on city-owned properties (many of which contained buildings then in use for city functions). That memo concluded that there were 6 potential sites, each with some drawbacks, which were at least 15,000 square feet, had multifamily zoning or a pathway to achieve it, and could be further considered. In 2019, City staff provided a follow-up memo to City Council, reporting on the North Berkeley BART station and Ashby BART station (both of which had not been included in the prior reporting).³⁰

After reviewing staff memos and the status of City efforts underway on some of the previously-identified sites, The Housing Workshop initially planned to focus this study on the North Bowling Green site, the West Berkeley Senior Center, and potential city-owned sites within the Adeline Corridor Specific Plan, which included a goal of achieving 50% affordable housing production in new construction planned for the corridor. However, further discussions with City staff concluded that none of these 3 sites would be developable in the near term. The North Bowling Green is subject to voter approval if changed to housing; the West Berkeley Service Center was planned for rehabilitation, and none of the City-owned sites within the Adeline Corridor Specific Plan that were currently not in use were large enough to provide more than 10 units of new housing. Given these constraints, the study team shifted its focus to exploring opportunities on privately-owned properties.³¹

- 5. Identification of Available Privately-Owned Property Examples.** This report profiles two examples of privately-owned property that could work well for reconfiguration as a mixed-income social housing project, and both illustrate the kinds of opportunities to acquire property to implement this concept through transacting with the private sector. These examples were identified in spring/summer 2024 as follows.

The Dwight Way property was selected through the study team's review of older multifamily rental properties that had sold on the open market in the prior twelve months. The Dwight Way property was well suited for further analysis in several ways – it had sold for a relatively

³⁰ For the 2019 staff memo packet containing the earlier 2016 and 2017 memos as well, see:

(<https://berkeleyca.gov/sites/default/files/documents/2019-10-29%20Item%2037%20Referral%20Response%20City%20Property%20for%20Affordable.pdf>)

³¹ The study team did not have the resources to identify other City-owned properties not currently zoned for housing (the first criteria used in the earlier staff memos), or to identify sites owned by other public agencies (as outlined in Recommendation 2 for a needed site inventory).

low per-door value, was located in typical central Berkeley neighborhood, represented a common multifamily preservation opportunity, and with 21 units, was a manageable size for smaller nonprofit housing providers to potentially acquire and manage.

The Shattuck Avenue entitled project was identified while researching the status of properties in the Adeline Corridor Specific Plan. It was entitled in summer 2024 and advertised for sale as an entitled development opportunity shortly thereafter.

6. **Focus Group with Mixed-Income Berkeley Tenants.** Research for this report included convening a focus group of eight local residents. For market-rate renters, recruitment efforts began with outreach to several new market-rate rental management companies to request permission to distribute flyers in their buildings, but they declined. The team then engaged several real estate brokers working with existing market-rate Berkeley tenants seeking to buy their first home if they could recommend clients. This yielded three participants. The study team also reached out to Healthy Black Families, Inc. (HBF), South Berkeley-based nonprofit organization working on social equity and justice, and HBF provided recruitment support. All prospective participants completed a short online screening survey to collect basic information on age, household size, current tenure, and estimated household income to ensure a broad mix of extremely-low to moderate- and above-moderate incomes represented. In total, there were over 20 applicants, and 12 were selected to participate. All 12 RSVP'd, and 8 attended the event held in a conference room at the South Berkeley Senior Center in August 2024. With participants' consent, the session was recorded, and the footage was provided to City staff for review.
7. **Pro Forma Financial Analysis.** The financial pro formas provided in this report were developed by The Housing Workshop and Urban Math. They are structured to reflect several possible mixed-income scenarios for the two example projects, encompassing both rental and ownership options. Assumptions for the pro formas were developed by the consultants, in collaboration with City staff and compared to other recent consultant reports for the City of Berkeley on related affordable housing policies. Descriptions of each key variable are included in the body of this report, with documentation for market rate rent and sale price assumptions provided in Appendix C.

Appendix B: Detailed Housing Data

Appendix B1: Population and Household Trends, 2000-2023

<u>Population in Households</u>	<u>2000</u>	<u>2010</u>	<u>2020</u>	<u>2023</u>	<u>% Change 2000-2010</u>	<u>% Change 2010-2020</u>	<u>% Change 2020-2023</u>
City of Berkeley	96,921	99,731	106,604	105,578	2.9%	6.9%	-1.0%
Alameda County	1,416,006	1,472,829	1,628,520	1,582,968	4.0%	10.6%	-2.8%
Bay Area (a)	6,640,972	7,003,059	7,590,783	7,339,611	5.5%	8.4%	-3.3%
Population in Group Quarters							
City of Berkeley	5,822	12,849	17,717	N/A	120.7%	37.9%	N/A
Alameda County	27,735	37,442	53,833	N/A	35.0%	43.8%	N/A
Bay Area (a)	142,788	147,680	174,857	N/A	3.4%	18.4%	N/A
Total Population							
City of Berkeley	102,743	112,580	124,321	118,962	9.6%	10.4%	-4.3%
Alameda County	1,443,741	1,510,271	1,682,353	1,622,188	4.6%	11.4%	-3.6%
Bay Area (a)	6,783,760	7,150,739	7,765,640	7,508,799	5.4%	8.6%	-3.3%
Households							
City of Berkeley	44,955	46,029	47,606	49,088	2.4%	3.4%	3.1%
Alameda County	523,366	545,138	591,636	608,534	4.2%	8.5%	2.9%
Bay Area (a)	2,466,019	2,608,023	2,793,526	2,830,712	5.8%	7.1%	1.3%
Average Household Size							
City of Berkeley	2.16	2.17	2.24	2.15	0.5%	3.2%	-4.0%
Alameda County	2.71	2.70	2.75	2.78	-0.4%	1.9%	1.0%
Bay Area (a)	2.69	2.69	2.72	2.59	-0.1%	1.0%	-4.6%

Notes:

(a) The Bay Area includes Alameda, Contra Costa, Marin, Napa, San Francisco, San Mateo, Santa Clara, Sonoma, and Solano counties.
Sources: US Census, 2000; ACS 1-Year Estimates, 2023; THW, 2024.

Appendix B2: Berkeley Age Distribution, 2000 – 2023

Age	City of Berkeley			Alameda County			Bay Area (a)		
	2000	2023	% Change	2000	2023	% Change	2000	2023	Change
Under 18	14,513	12,642	-13%	354,572	315,933	-11%	1,601,858	1,449,589	-10%
18-24	22,159	33,444	51%	138,416	128,131	-7%	595,173	599,560	1%
25-34	18,360	16,652	-9%	241,073	244,512	1%	1,120,919	1,099,924	-2%
35-44	14,310	14,218	-1%	248,706	258,895	4%	1,172,570	1,106,183	-6%
45-54	14,325	11,992	-16%	200,518	217,551	8%	964,638	989,988	3%
55-64	8,592	9,929	16%	112,865	196,139	74%	571,095	944,325	65%
65-74	4,993	10,933	119%	75,699	151,102	100%	389,437	748,212	92%
75-84	3,969	7,046	78%	53,069	81,729	54%	272,643	417,811	53%
85+	1,522	2,106	38%	18,823	28,196	50%	95,427	153,207	61%
Total	102,743	118,962	16%	1,443,741	1,622,188	12%	6,783,760	7,508,799	11%
Median Age	32.5	32.9		34.5	39.5		35.6	40.3	

Notes:

(a) The Bay Area includes Alameda, Contra Costa, Marin, Napa, San Francisco, San Mateo, Santa Clara, Sonoma, and Solano counties.
Sources: US Census, 2000, 2020; ACS 1-Year Estimates, 2023; THW, 2024.

Appendix B3: Household Income Distribution, 2023

Household Income	Alameda		
	Berkeley	County	Bay Area
Less than \$15,000	13.2%	7.3%	6.4%
\$15,000-\$24,999	7.6%	4.2%	3.8%
\$25,000-\$34,999	3.4%	4.0%	3.8%
\$35,000-\$49,999	6.8%	6.4%	6.0%
\$50,000-\$74,999	11.5%	10.7%	10.3%
\$75,000-\$99,999	8.3%	9.6%	9.6%
\$100,000-\$149,999	15.0%	16.9%	16.4%
\$150,000-\$199,999	8.4%	11.7%	12.0%
\$200,000 or more	26.1%	29.1%	31.6%
Total	100.0%	100.0%	100.0%

Notes:

(a) The Bay Area includes Alameda, Contra Costa, Marin, Napa, San Francisco, San Mateo, Santa Clara, Sonoma, and Solano counties.

Sources: ACS 1-Year Estimates, 2023; THW, 2024.

Appendix B4: Median Household Income by Tenure, 2000-2023

	Median Household Income		% Change
	2000 (a)	2023	
Berkeley			
Owners	\$ 157,877	\$ 169,878	7.6%
Renters	\$ 53,739	\$ 61,525	14.5%
All Households	\$ 86,958	\$ 98,086	12.8%
Alameda County			
Owners	\$ 148,058	\$ 162,956	10.1%
Renters	\$ 73,571	\$ 82,021	11.5%
All Households	\$ 109,282	\$ 119,931	9.7%

Notes:

(a) All incomes adjusted to 2023 dollars.

Sources: US Census, 2000; ACS 1-Year Estimates, 2023; THW, 2024.

Appendix B5: Households by Tenure, 2000-2023

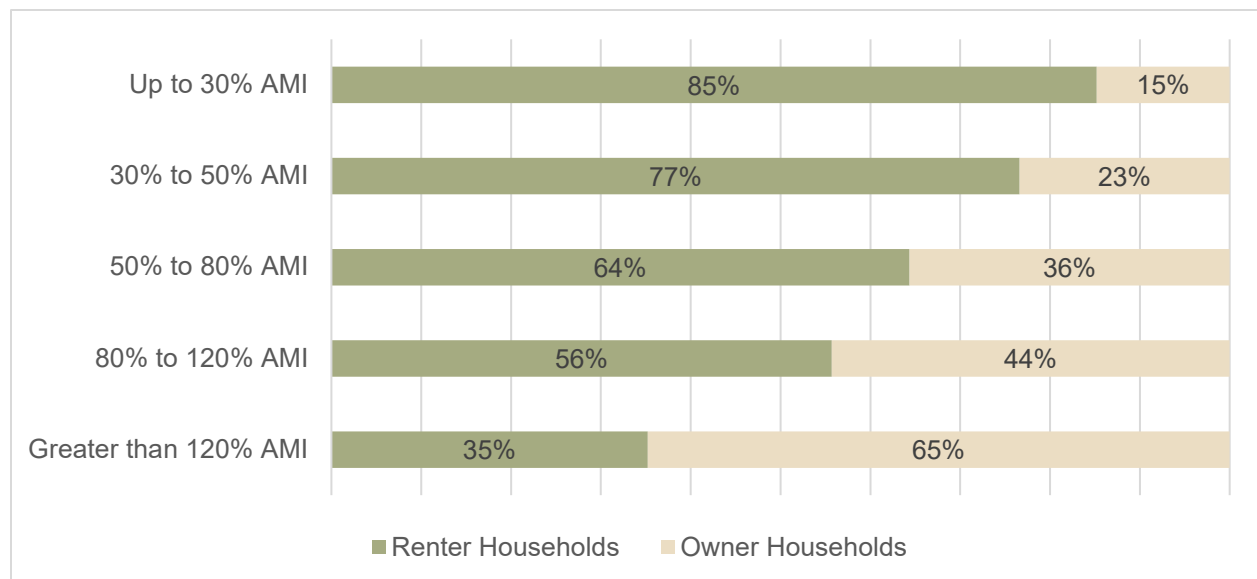
Tenure (#)	City of Berkeley		Alameda County		Bay Area (a)	
	2000	2023	2000	2023	2000	2023
Owner Households	19,214	20,063	286,277	328,166	1,423,958	1,593,329
Renter Households	25,741	29,025	237,089	280,368	1,042,061	1,237,383
Total	44,955	49,088	523,366	608,534	2,466,019	2,830,712
Tenure (%)						
Owner Households	42.7%	40.9%	54.7%	53.9%	57.7%	56.3%
Renter Households	57.3%	59.1%	45.3%	46.1%	42.3%	43.7%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
% Change, 2000-2023						
Owner Households		4.4%		14.6%		11.9%
Renter Households		12.8%		18.3%		18.7%

Notes:

(a) The Bay Area includes Alameda, Contra Costa, Marin, Napa, San Francisco, San Mateo, Santa Clara, Sonoma, and Solano counties.

Sources: US Census, 2000; ACS 1-Year Estimates, 2023; THW, 2024.

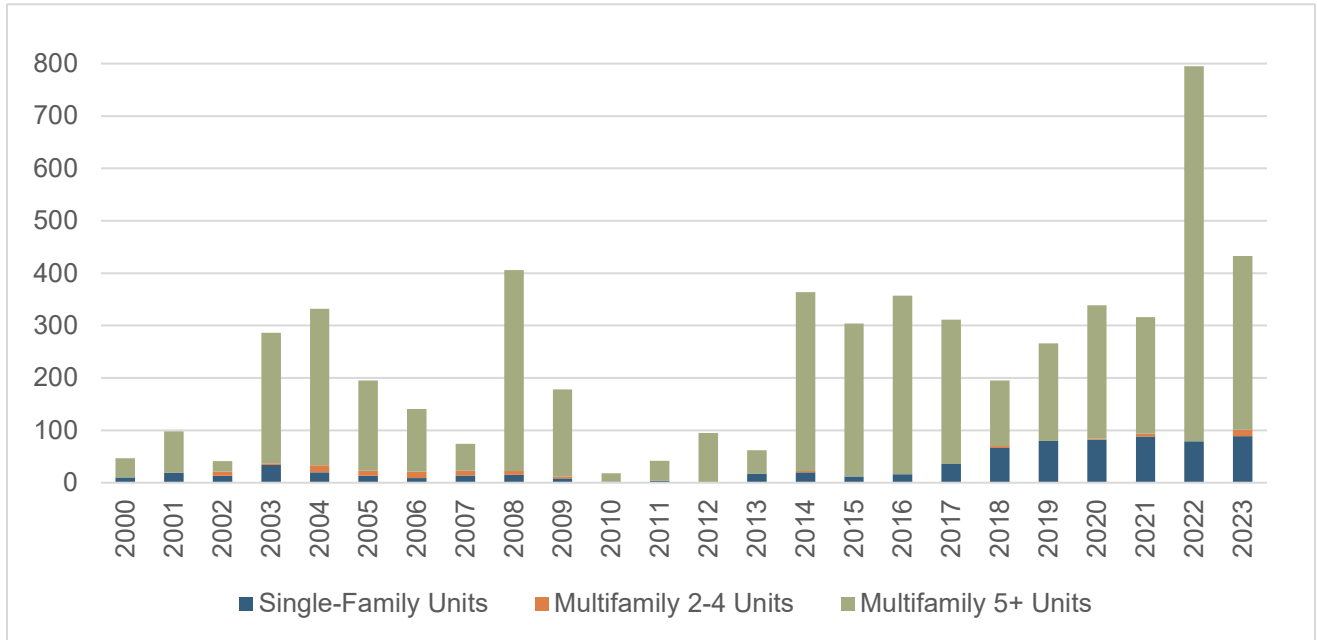
Appendix B6: Berkeley Distribution of Area Median Income by Tenure, 2000



Note: 2000 was last year this data is available.

Sources: HUD Comprehensive Housing Affordability Strategy (CHAS) Database, 2016-2020; The Housing Workshop, 2025.

Appendix B7: Building Permits, City of Berkeley, 2000-2023



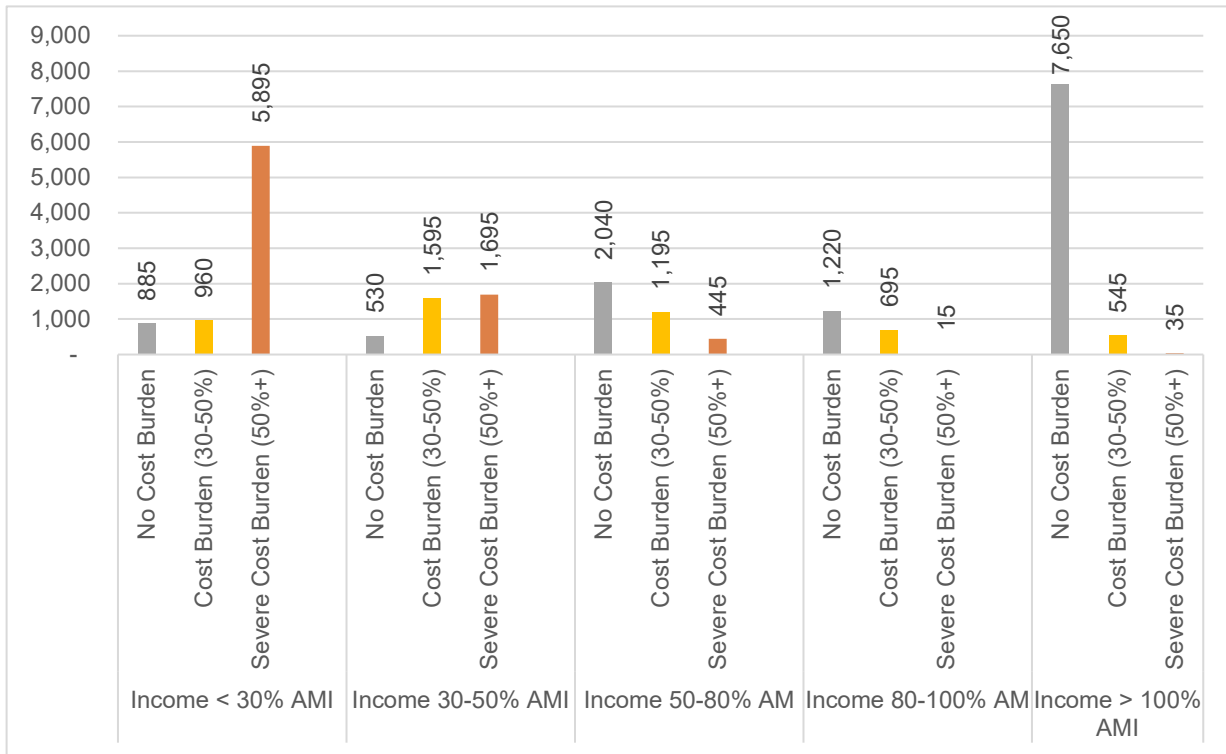
Appendix B8: Berkeley Housing Production in Current RHNA Cycle

	Very Low- Income (<50% AMI)	Low Income (50-80% AMI)	Mod Income (80-120% AMI)	Above Mod (>120% AMI)	Total
Berkeley RHNA, 2023-2031	2,446	1,408	1,416	3,664	8,934
Permitted Units 2021-2023 (a)	64	52	29	286	431
Balance to Permit 2024 - 2031	2,382	1,356	1,387	3,378	8,503
Permitted Units, as % of RHNA	2.6%	3.7%	2.0%	7.8%	4.8%
<i>Goal for 2021-2023 Period in HE 6th Cycle</i>	<i>25.0%</i>	<i>25.0%</i>	<i>25.0%</i>	<i>25.0%</i>	<i>25.0%</i>

Notes:

(a) The California Department of Housing and Community Development (HCD) evaluates progress meeting RHNA goals based on the number of building permits issued, not per entitled units. Sources: CA HCD Housing Element Implementation and APR Dashboard, 2025.

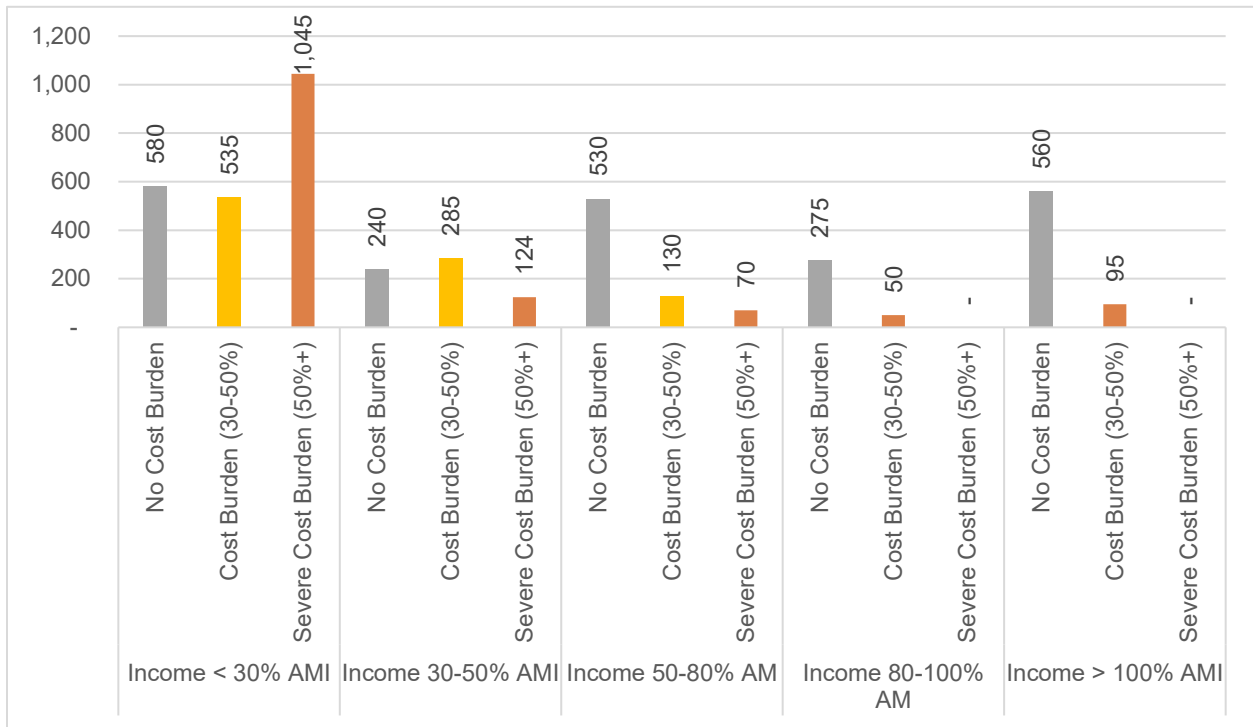
Appendix B9: Berkeley Housing Cost Burden for Renter Households by AMI, 2020



Appendix B10: Berkeley Housing Cost Burden for Owner Households, 2020



Appendix B11: Berkeley Housing Cost Burden by AMI, Senior Renter Households, 2020



Appendix B12: Berkeley's Population Change by Race & Ethnicity, 2000 - 2023

	2000		2023		% Change 2000-2023
	Population	% Share	Population	% Share	
City of Berkeley					
Hispanic/ Latino (b)	10,001	9.7%	13,055	11.0%	30.5%
Not Hispanic/Latino	92,742	90.3%	105,907	89.0%	14.2%
White	56,691	55.2%	56,727	47.7%	0.1%
Black/ African American	13,707	13.3%	8,415	7.1%	-38.6%
Native American	293	0.3%	101	0.1%	-65.5%
Asian	16,740	16.3%	29,340	24.7%	75.3%
Native Hawaiian/ Pacific Islander	121	0.1%	34	0.0%	-71.9%
Other Race Alone	598	0.6%	992	0.8%	65.9%
Two or More Races	4,592	4.5%	10,298	8.7%	124.3%
Total	102,743	100.0%	118,962	100.0%	15.8%
Alameda County					
Hispanic/ Latino (b)	273,910	19.0%	378,596	23.3%	38.2%
Not Hispanic/Latino	1,169,831	81.0%	1,243,592	76.7%	6.3%
White	591,095	40.9%	440,498	27.2%	-25.5%
Black/ African American	211,124	14.6%	146,345	9.0%	-30.7%
Native American	5,306	0.4%	2,630	0.2%	-50.4%
Asian	292,673	20.3%	540,143	33.3%	84.6%
Native Hawaiian/ Pacific Islander	8,458	0.6%	11,050	0.7%	30.6%
Other Race Alone	4,676	0.3%	9,602	0.6%	105.3%
Two or More Races	56,499	3.9%	93,324	5.8%	65.2%
Total	1,443,741	100.0%	1,622,188	100.0%	12.4%
Bay Area (a)					
Hispanic/ Latino (b)	1,315,175	19.4%	1,861,753	24.8%	41.6%
Not Hispanic/Latino	5,468,585	80.6%	5,647,046	75.2%	3.3%
White	3,392,204	50.0%	2,568,718	34.2%	-24.3%
Black/ African American	497,205	7.3%	398,854	5.3%	-19.8%
Native American	24,733	0.4%	12,473	0.2%	-49.6%
Asian	1,278,515	18.8%	2,173,467	28.9%	70.0%
Native Hawaiian/ Pacific Islander	33,640	0.5%	39,416	0.5%	17.2%
Other Race Alone	18,451	0.3%	48,682	0.6%	163.8%
Two or More Races	223,837	3.3%	405,436	5.4%	81.1%
Total	6,783,760	100.0%	7,508,799	100.0%	10.7%

Notes:

(a) The Bay Area includes Alameda, Contra Costa, Marin, Napa, San Francisco, San Mateo, Santa Clara, Sonoma, and Solano counties.

(b) Includes all races for those of Hispanic/Latino background.

Sources: US Census, 2000; ACS 1-Year Estimates, 2023; THW, 2025.

Appendix B13: Current Rents for Recently Built Berkeley Rental Projects

Name/Location (a)	Year Built	Floorplan	Asking Rent (b)	Unit Size	Rent/Sq.Ft.
B28 (2028 Bancroft)	2023	Studio	\$ 2,695	338	\$ 7.97
		1-Bdrm	\$ 2,995	576	\$ 5.20
		2-Bdrm	\$ 4,195	621	\$ 6.76
The Artisan (2072 Addison)	2023	2-Bdrm	\$ 4,295	779	\$ 5.51
The Shattuck (2701 Shattuck)	2024	Studio	\$ 2,195	311	\$ 7.06
		1-Bdrm	\$ 3,595	634	\$ 5.67
		2-Bdrm	\$ 4,595	642	\$ 7.16
Berkeley Place (2067 University)	2023	1-Bdrm	\$ 2,750	400	\$ 6.88
		2-Bdrm	\$ 3,650	594	\$ 6.14

a) Does not profile The Hub, The RISE, The Aquatic @U, Helios, The Lair, or Ace Berkeley because those are targeted at students with furnished units and rents based on a per-person occupancy.

This is a product type designed to serve as a private dorm, located near campus.

b) For this table, the smallest unit with the lowest rent for each floorplan is shown, Asking rents on same floorplan with more sq. ft. or views, are higher.

Sources: apartments.com; THW, 2025.

Appendix B14: Berkeley Newer Construction, Recently Sold Condominiums

Address	Sale Date	Unit Type	Year Built	Sale Price	Beds	Baths	Sq.Ft.	\$/Sq.Ft.	HOA (a)
1-Bedroom Units									
2747 San Pablo Ave #212	5/31/2023	Condo	2020	\$ 583,000	1	1.5	773	\$ 754	\$ 461
2747 San Pablo Ave #408	8/18/2023	Condo	2020	\$ 620,000	1	1	771	\$ 804	\$ 461
2747 San Pablo Ave #215	4/15/2024	Condo	2020	\$ 678,000	1	1.5	1,006	\$ 674	\$ 562
2747 San Pablo Ave Unit LW1	6/25/2024	Condo	2020	\$ 525,000	1	1	1,130	\$ 465	\$ 514
2747 San Pablo Ave #206	11/8/2024	Condo	2020	\$ 475,000	1	1.5	910	\$ 522	\$ 554
Average				\$ 576,200			918	\$ 644	\$ 510
2-Bedroom Units									
1171 Hearst Unit A	3/10/2023	Condo	2022	\$ 975,000	2	1.5	875	\$ 1,114	\$ 337
1169 Hearst Unit B	3/20/2023	Condo	2022	\$ 950,000	2	1.5	846	\$ 1,123	\$ 335
1171 Hearst Unit B	3/24/2023	Condo	2022	\$ 950,000	2	1.5	846	\$ 1,123	\$ 335
2747 San Pablo Ave #208	6/21/2023	Condo	2020	\$ 968,000	2	2.5	1,372	\$ 706	\$ 504
2747 San Pablo Ave #504	10/2/2023	Condo	2020	\$ 748,000	2	1	896	\$ 835	\$ 470
Average				\$ 918,200			967	\$ 980	\$ 396
3-Bedroom Units									
1811 63rd St Unit B	2/7/2025	Twnhse	2021	\$ 1,350,000	3	2.5	1,552	\$ 870	\$ 133
Average				\$ 1,350,000			1,552	\$ 870	\$ 133

a) HOA is per month.

Based on sales shown in Redfin, filtered by built 2020 or later, sale date 2023 or later.

Only sales in Berkeley are shown (several units just over the Oakland border are not shown).

Sources: Redfin, 2025; THW, 2025.

Appendix C: Detailed Pro Forma Financial Analysis

The table below provides information on the current rental rates per unit in the Dwight acquisition/rehab pro forma example (e.g., used for baseline scenario).

Table 4: Maximum RSO Rents in 2023 (Sale Year)

<u>Unit # (a)</u>	<u>Unit Type</u>	<u>Rent</u>		<u>Year Tenant</u>
		<u>Ceiling (b)</u>	<u>AMI Equivalent (c)</u>	<u>Moved In</u>
A1	2-Bedroom	\$1,030	29%	1980
A2	2-Bedroom	\$1,044	30%	1992
A3	1-Bedroom	\$748	26%	2005
A4	2-Bedroom	\$1,775	51%	2005
A5	1-Bedroom	\$1,283	44%	2006
A6	Studio	\$1,068	39%	2008
A7	Studio	\$1,149	42%	2010
A8	1-Bedroom	\$1,229	42%	2012
A9	2-Bedroom	\$1,944	55%	2013
A10	2-Bedroom	\$2,185	62%	2020
A11	Studio	\$2,245	82%	2021
A12	1-Bedroom	\$2,349	80%	2021
A13	1-Bedroom	\$2,349	80%	2021
A14	1-Bedroom	\$2,453	84%	2021
A15	Studio	\$2,500	92%	2022
A16	1-Bedroom	\$2,095	72%	2022
A17	1-Bedroom	\$2,125	73%	2022
A18	1-Bedroom	\$2,500	86%	2022
A19	2-Bedroom	\$3,000	86%	2022
Average Project AMI			61%	

Notes:

(a) To maintain tenant anonymity, the unit numbers in this table are not the actual unit identifiers.

(b) The rent ceiling represents the maximum allowable rent the landlord could charge, determined by applying the annual rent escalator permitted by the City of Berkeley to the initial rent. The City of Berkeley does not disclose the actual rents charged for each unit.

(c) The AMI equivalent estimates the income level served based on the rent ceiling, assuming an average household size of 1 person for studios, 1.5 persons for one-bedroom units, and 3 persons for two-bedroom units. This is an approximation, as actual household sizes may vary by unit.

Sources: City of Berkeley, 2024; THW, 2025.

Appendix C1: Acquisition Rehab Rental - Baseline

This building sold for \$5.25 million in 2023. The scenario assumes a standard real estate investor purchases the property with existing tenants remaining in place. It is intended to illustrate the acquisition of an existing, unsubsidized building in Berkeley.

Development Program and Assumptions		Baseline: As-Is, No Rehab
Site Size (sf)		15,240
Total Number of Units		21
Affordable Units Required (a)	0%	-
Number of Market Rate Units	100%	21
Dwelling Units/Acre		60
Units (b)		
Studios		5
1-Bedroom		10
2-Bedroom		6
3-Bedroom		-
Average Unit Size		611
Total Residential Space (sf)		12,832
Total Open Space (sf)		5,000
Number of Parking Spaces		9
Parking spaces per unit		0.43
Development Costs		
Acquisition Cost per Residential Unit (b)	\$	250,000
Hard Costs - Avg. Rehab Cost/Unit (c)	\$	-
Hard Costs - Open Space		
Soft Costs exc Fees (as % of hard)		20.0%
Financing Costs (Construction)		
Loan to Cost Ratio		60.0%
Interest Rate		7.0%
Loan Fees		1.5%
Construction Period (months)		12
Avg. Outstanding Bal During Construction		60.0%
Financing Costs (Permanent)		
Loan to Cost Ratio		70.0%
Interest Rate		6.0%
Debt Coverage Ratio		1.20
Capitalized Reserve (d)		
Non-Profit Developer Fee		
Market Rents		
Studios		N/A
1-Bedroom		N/A
2-Bedroom		N/A
Operations		
Vacancy		5.0%
OpEx per unit (exc. prop taxes) (b)	\$	5,300
Property Tax Rate		1.20%
Cap Rate (e)		4.5%

Development Costs		Baseline: As-Is, No Rehab
Acquisition	\$	5,250,000
Rehab Costs	\$	-
Soft Costs	\$	-
Financing Costs	\$	-
Capitalized Reserves	\$	-
Total Development Costs	\$	5,250,000
<i>Total Development Cost per Unit</i>	\$	<i>250,000</i>

Development Feasibility and Financing	
Net Operating Income (NOI)	\$ 260,941
Capitalized Value	\$ 5,798,680
Less Total Development Cost	\$ (5,250,000)
Profit / (Loss)	\$ 548,680
Return on Cost	10.5%
Sources of Financing	
Supportable Loan	\$ 2,993,169
Private Equity (f)	\$ 2,256,831
Traditional Capital Stack to Fill Gap	
City HTF	N/A
Other	N/A

Operations	
Gross Income (b)	\$ 458,148
Less: Vacancy	\$ (22,907)
Less: Op Expenses excluding Property Taxes	\$ (111,300)
Less: Property Taxes	\$ (63,000)
Less: Reserves	\$ -
Net Operating Income (NOI)	\$ 260,941

Affordability Metrics	
Average Project AMI	61%
% of Units Serving ELI Households	14%
% of Units Serving VLI Households	24%
% of Units Serving Low Households	29%
% of Units Serving Moderate Households	33%
% of Units Serving Above Mod Households	0%
% Units Serving <=80% AMI Households	67%

Notes:

- Real estate investors who purchase existing buildings are not required to set-aside any units for affordable housing. For buildings built before 1995, Berkeley's rent stabilization ordinance applies. Rent increases are capped at the annual allowable rate set by the Rent Board. However, when a tenant vacates, landlords are permitted to reset to market rents under the Costa-Hawkins Rental Housing Act.
- The unit mix, rents, operating costs, and acquisition price are based on a 21-unit apartment building in Berkeley that sold in October 2023.
- This baseline scenario assumes no rehabilitation. In rent-stabilized buildings, owners typically wait for tenants to vacate before upgrading units to achieve higher rents from new tenants. This scenario establishes a baseline to assess a landlord's return based on current rents.
- Market-rate projects of this scale typically do not capitalize operating reserves and instead rely on accumulated reserves and cash flow to cover unexpected costs.
- The cap rate is based on the actual rate at the time of sale, calculated by comparing the building's net operating income (NOI) to its sales price. In contrast, the other proformas use current market cap rates, which are now higher than when this property was sold.
- This represents the funding needed to cover the gap between project costs and supportable debt. Market-rate projects close this gap using private equity, including developer contributions, preferred equity, and other private sources seeking competitive returns.

Sources: The Housing Workshop; Urban Math, 2025.

Appendix C2: Acquisition Rehab Rental - Income Average @ 80% AMI (Berkeley Small Sites)

This scenario models the income averaging allowed in Berkeley's Small Sites Program, as it allows for cross-subsidization. In this scenario, existing tenants remain in place, and upon turnover, units can be rented to households earning up to 120% AMI, providing the opportunity to cross-subsidize lower-income units while maintaining an 80% AMI average.

Development Program and Assumptions		Option A: Income Average @ 80% AMI
Site Size (sf)		15,240
Total Number of Units		21
Affordable Units Required (a)	60%	13
Number of Market Rate Units (b)	40%	8
Dwelling Units/Acre		60
Units (c)		
Studios		5
1-Bedroom		10
2-Bedroom		6
3-Bedroom		-
Average Unit Size		611
Total Residential Space (sf)		12,832
Total Open Space (sf)		5,000
Number of Parking Spaces		9
Parking spaces per unit		0.43
Development Costs		
Acquisition Cost per Residential Unit (c)	\$	250,000
Hard Costs - Avg. Rehab Cost/Unit (d)	\$	125,000
Hard Costs - Open Space (e)	\$	30
Rehab Cost Contingency		15.0%
Soft Costs exc Fees (as % of hard)		20.0%
Financing Costs (Construction)		
Loan to Cost Ratio		60.0%
Interest Rate		7.0%
Loan Fees		1.5%
Construction Period (months)		12
Avg. Outstanding Bal During Construction		60.0%
Financing Costs (Permanent) (f)		
Loan to Cost Ratio		80.0%
Interest Rate		6.0%
Debt Coverage Ratio		1.20
Capitalized Reserve (g)		See note
Non-Profit Developer Fee (h)	\$	290,000
Market Rents (i)		
Studios	\$	2,300
1-Bedroom	\$	2,800
2-Bedroom	\$	3,300
Operations		
Vacancy		5.0%
OpEx per unit (exc. prop taxes) (c)	\$	5,300
Property Tax Rate (i) (j)		1.20%
Cap Rate		6.00%
Reserves (per unit per year)	\$	500
Annual compliance monitoring (per year)	\$	1,500

Development Costs		Option A: Income Average @ 80% AMI
Acquisition	\$	5,250,000
Rehab Hard Costs with Contingency	\$	3,018,750
Landscaping	\$	150,000
Soft Costs	\$	633,750
<i>Subtotal Const Costs Before Financing</i>	\$	3,802,500
Financing Costs		
Points	\$	81,473
Construction Period Interest	\$	228,123
<i>Subtotal Financing Costs</i>	\$	309,596
Capitalized Reserves	\$	82,446
Developer Fee	\$	290,000
Total Development Costs	\$	9,734,542
<i>Total Development Cost per Unit</i>	\$	463,550

Development Feasibility and Financing	
Net Operating Income (NOI)	#N/A
Capitalized Value	#N/A
Less Total Development Cost	\$ (9,734,542)
Profit / (Loss)	#N/A
Return on Cost	#N/A
Sources of Financing	
Supportable Loan	#N/A
Gap Financing (k)	#N/A
<i>Subsidy per Affordable Unit</i>	#N/A
Traditional Capital Stack to Fill Gap	
City HTF (l)	#N/A
Other (l)	#N/A

Operations	
Gross Income	#N/A
Less: Vacancy	#N/A
Less: Op Expenses excluding Property Taxes	\$ (111,300)
Less: Property Taxes (j)	\$ (38,486)
Less: Reserves	\$ (10,500)
Less: Annual Compliance Monitoring	\$ (1,500)
Net Operating Income (NOI)	#N/A

Affordability Metrics	
Average Project AMI	80%
% of Units Serving ELI Households	5%
% of Units Serving VLI Households	10%
% of Units Serving Low Households	48%
% of Units Serving Moderate Households	38%
% of Units Serving Above Mod Households	0%
% Units Serving <=80% AMI Households	62%

Notes:

a) Real estate investors who purchase existing buildings are not required to set-aside any units for affordable housing. For buildings built before 1995, Berkeley's rent stabilization ordinance applies. Rent increases are capped at the annual allowable rate set by the Rent Board. However, when a tenant vacates, landlords are permitted to reset to market rents under the Costa-Hawkins Rental Housing Act.

b) The distribution of affordable and market-rate units by bedroom size is as follows:

	<u>Affordable</u>	<u>Market</u>	<u>Market Rate AMIs</u>
Studios	3	2	84%
1-Bedroom	6	4	96%
2-Bedroom	4	2	94%
Total	13	8	

c) The unit mix, rents, operating costs, and acquisition price are based on a 21-unit apartment building in Berkeley that sold in October 2023.

d) Rehabilitation costs can vary depending on the building's condition, the scope of the work, required code compliance upgrades, and the presence of any hazards. Since the level of rehabilitation can range from minimal to extensive, this proforma assumes a building in relatively good condition requiring a moderate level of improvement. The goal of the rehabilitation is to ensure the building remains in good condition over time, preserving its long-term value and functionality.

e) This includes funds for exterior upgrades, such as enhancing community gathering spaces and other outdoor improvements.

f) The permanent financing terms assume more favorable conditions from a CDFI or another lender experienced in acquisition-rehab projects. These lenders can offer better terms than commercial lenders if they have partnered with public agencies providing take-out financing.

g) Berkeley's Small Sites Program mandates a capitalized operating reserve equal to 25% of annual operating expenses and a capitalized replacement reserve set at the greater of \$2,000 per unit or the amount required to cover replacement costs for the next 10 years. Also, the replacement reserve requires an annual deposit of \$500 per unit.

h) The developer's fee is modeled after Berkeley's Small Sites Program, which is \$80,000 + \$10,000 per unit, capped at 5% of project costs excluding the developer fee.

i) Market rents are calculated using the average of the upper quartile of rents upon vacancy reset, based on data from Berkeley Rent Board for properties with new tenant move-ins from January to May of 2024. Market rents for NOAH currently range from 85-95% AMI.

j) Mixed income projects may qualify for a partial property tax exemption under California's Revenue and Taxation Code Section 214(g). The exemption is prorated based on the percentage of units restricted to low-income households. A community land that owns the land can also qualify for a property tax exemption with higher income limits.

k) This represents the funding needed to bridge the gap between the acquisition-rehab cost and the supportable debt.

l) The City of Berkeley does not impose a strict cap on the per-unit subsidy under the Small Sites Program. However, the \$300,000 per unit figure serves as an estimate to evaluate how far local funds can stretch when leveraged with other funding sources. If no additional funding sources are available, the city would need to cover the entire funding gap.

Sources: The Housing Workshop; Urban Math, 2025.

Appendix C3: Acquisition Rehab Rental - 100% Affordable

In this model, 100% of the units are designated as affordable, without cross-subsidization, serving households at 30% AMI, 40% AMI, 50% AMI, and 60% AMI.

Development Program and Assumptions		Option C: 100% Affordable
Site Size (sf)		15,240
Total Number of Units		21
Affordable Units Required (a)	100%	21
Number of Market Rate Units (b)	40%	-
Dwelling Units/Acre		60
Units (c)		
Studios		5
1-Bedroom		10
2-Bedroom		6
3-Bedroom		-
Average Unit Size		611
Total Residential Space (sf)		12,832
Total Open Space (sf)		5,000
Number of Parking Spaces		9
Parking spaces per unit		0.43
Development Costs		
Acquisition Cost per Residential Unit (c)		\$ 250,000
Hard Costs - Avg. Rehab Cost/Unit (d)		\$ 125,000
Hard Costs - Open Space (e)		\$ 30
Rehab Cost Contingency		15.0%
Soft Costs exc Fees (as % of hard)		20.0%
Financing Costs (Construction)		
Loan to Cost Ratio		60.0%
Interest Rate		7.0%
Loan Fees		1.5%
Construction Period (months)		12
Avg. Outstanding Bal During Construction		60.0%
Financing Costs (Permanent) (f)		
Loan to Cost Ratio		80.0%
Interest Rate		6.0%
Debt Coverage Ratio		1.20
Capitalized Reserve (g)		See note
Non-Profit Developer Fee (h)		\$ 290,000
Market Rents (i)		
Studios		\$ 2,300
1-Bedroom		\$ 2,800
2-Bedroom		\$ 3,300
Operations		
Vacancy		5.0%
OpEx per unit (exc. prop taxes) (c)		\$ 5,300
Property Tax Rate (i)(j)		1.20%
Cap Rate		6.00%
Reserves (per unit per year)		\$ 500
Annual compliance monitoring (per year)		\$ 1,500

Development Costs		Option C: 100% Affordable
Acquisition		
Rehab Hard Costs with Contingency		\$ 5,250,000
Landscaping		\$ 3,018,750
Soft Costs		\$ 150,000
<i>Subtotal Const Costs Before Financing</i>		\$ 633,750
Financing Costs		
Points		\$ 3,802,500
Construction Period Interest		\$ 81,473
<i>Subtotal Financing Costs</i>		\$ 228,123
Capitalized Reserves		\$ 309,596
Developer Fee		\$ 72,825
Total Development Costs		\$ 290,000
<i>Total Development Cost per Unit</i>		\$ 9,724,921
		\$ 463,091

Development Feasibility and Financing	
Net Operating Income (NOI)	\$ 201,589
Capitalized Value	\$ 3,359,810
Less Total Development Cost	\$ (9,724,921)
Profit / (Loss)	\$ (6,365,111)
Return on Cost	-65.5%
Sources of Financing	
Supportable Loan	\$ 2,312,361
Gap Financing (k)	\$ 7,412,560
<i>Subsidy per Affordable Unit</i>	\$ 352,979
Traditional Capital Stack to Fill Gap	
City HTF (l)	\$ 6,300,000
Other	\$ 1,112,560

Operations	
Gross Income	\$ 341,988
Less: Vacancy	\$ (17,099)
Less: Op Expenses excluding Property Taxes	\$ (111,300)
Less: Property Taxes (j)	\$ -
Less: Reserves	\$ (10,500)
Less: Annual Compliance Monitoring	\$ (1,500)
Net Operating Income (NOI)	\$ 201,589

Affordability Metrics	
Average Project AMI	45%
% of Units Serving ELI Households	29%
% of Units Serving VLI Households	43%
% of Units Serving Low Households	29%
% of Units Serving Moderate Households	0%
% of Units Serving Above Mod Households	0%
% Units Serving <=80% AMI Households	100%

Notes:

a) Real estate investors who purchase existing buildings are not required to set-aside any units for affordable housing. For buildings built before 1995, Berkeley's rent stabilization ordinance applies. Rent increases are capped at the annual allowable rate set by the Rent Board. However, when a tenant vacates, landlords are permitted to reset to market rents under the Costa-Hawkins Rental Housing Act.

b) The distribution of affordable and market-rate units by bedroom size is as follows:

	<u>Affordable</u>
Studios	5
1-Bedroom	10
2-Bedroom	<u>6</u>
Total	21

c) The unit mix, rents, operating costs, and acquisition price are based on a 21-unit apartment building in Berkeley that sold in October 2023.

d) Rehabilitation costs can vary depending on the building's condition, the scope of the work, required code compliance upgrades, and the presence of any hazards. Since the level of rehabilitation can range from minimal to extensive, this proforma assumes a building in relatively good condition requiring a moderate level of improvement. The goal of the rehabilitation is to ensure the building remains in good condition over time, preserving its long-term value and functionality.

e) This includes funds for exterior upgrades, such as enhancing community gathering spaces and other outdoor improvements.

f) The permanent financing terms assume more favorable conditions from a CDFI or another lender experienced in acquisition-rehab projects. These lenders can offer better terms than commercial lenders if they have partnered with public agencies providing take-out financing.

g) Berkeley's Small Sites Program mandates a capitalized operating reserve equal to 25% of annual operating expenses and a capitalized replacement reserve set at the greater of \$2,000 per unit or the amount required to cover replacement costs for the next 10 years. Also, the replacement reserve requires an annual deposit of \$500 per unit.

h) The City's NOFA allows developer fees of up to the lesser of 10% of total development costs or \$2 million for non-tax credit projects. To keep this scenario comparable to others, the developer fee was capped at \$500,000.

i) Market rents are calculated using the average of the upper quartile of rents upon vacancy reset, based on data from Berkeley Rent Board for properties with new tenant move-ins from January to May of 2024. Market rents for NOAH currently range from 85-95% AMI.

j) Mixed income projects may qualify for a partial property tax exemption under California's Revenue and Taxation Code Section 214(g). The exemption is prorated based on the percentage of units restricted to low-income households. A community land that owns the land can also qualify for a property tax exemption with higher income limits.

k) This represents the funding needed to bridge the gap between the acquisition-rehab cost and the supportable debt.

l) The City of Berkeley does not impose a strict cap on the per-unit subsidy under the Small Sites Program. However, the \$300,000 per unit figure serves as an estimate to evaluate how far local funds can stretch when leveraged with other funding sources. If no additional funding sources are available, the city would need to cover the entire funding gap.

Sources: The Housing Workshop; Urban Math, 2025.

Appendix C4: Acquisition Rehab Ownership -Targeted 80% AMI Average

This scenario illustrates the acquisition of an existing rental property, allowing current tenants the option to purchase. It accounts for the possibility that some tenants may choose to vacate, and aims to achieve an average affordability level of 80% AMI across the building.

Development Program and Assumptions		Option A: 80% AMI Average
Site Size (sf)		15,240
Total Number of Units		21
Affordable Units Required (a)	100%	21
Number of Market Rate Units (b)	0%	-
Dwelling Units/Acre		60
Units (c)		
Studios		5
1-Bedroom		10
2-Bedroom		6
3-Bedroom		-
Average Unit Size		611
Total Residential Space (sf)		12,832
Total Open Space (sf)		5,000
Number of Parking Spaces		9
Parking spaces per unit		0.43
Development Costs		
Acquisition Cost per Residential Unit (c)	\$	250,000
Hard Costs - Avg. Rehab Cost/Unit (d)		#REF!
Hard Costs - Open Space (e)		30
Rehab Cost Contingency		15.0%
Soft Costs exc. Fees (as % of hard)		20.0%
Financing Costs (Construction)		
Loan to Cost Ratio		60.0%
Interest Rate		7.0%
Loan Fees		1.5%
Construction Period (months)		12
Avg. Outstanding Bal During Construction		60.0%
Capitalized Reserves (f)		3.0%
Nonprofit Developer Fee (g)	\$	290,000
80% AMI Sales Prices		
Studios	\$	286,333
1-Bedroom	\$	338,139
2-Bedroom	\$	390,160
Sales Assumptions		
Marketing Costs		5.0%

Development Costs		Option A: 80% AMI Average
Acquisition	\$	5,250,000
Rehab Hard Costs with Contingency		#REF!
Landscaping	\$	150,000
Soft Costs		#REF!
<i>Subtotal Const Costs Before Financing</i>		#REF!
Financing Costs		
Points		#REF!
Construction Period Interest		#REF!
<i>Subtotal Financing Costs</i>		#REF!
Capitalized Reserves		
Developer Fee	\$	290,000
Total Development Costs		#REF!
<i>Total Development Cost per Unit</i>		#REF!

Development Feasibility and Financing		
Sales Revenue	\$	7,154,013
Less Marketing Costs	\$	(357,701)
Net Sales Revenue	\$	6,796,313
Less Total Development Cost		#REF!
Profit / (Loss)		#REF!
Return on Cost		
		#REF!
Sources of Financing		
Net Sales Revenue	\$	6,796,313
Gap Financing (h)		#REF!
<i>Subsidy per Affordable Unit</i>		#REF!
Traditional Capital Stack to Fill Gap		
City HTF		#REF!
Other		#REF!

Public Benefit Metrics		
Average Project AMI		80%
% of Units Serving ELI Households		0%
% of Units Serving VLI Households		0%
% of Units Serving Low Households		67%
% of Units Serving Moderate Households		33%
% of Units Serving Above Mod Households		0%
% Units Serving <=80% AMI Households		67%

Notes:

a) Real estate investors who purchase existing buildings are not required to set-aside any units for affordable housing. For buildings built before 1995, Berkeley's rent stabilization ordinance applies. Rent increases are capped at the annual allowable rate set by the Rent Board. However, when a tenant vacates, landlords are permitted to reset to market rents under the Costa-Hawkins Rental Housing Act.

b) The distribution of affordable and market-rate units by bedroom size is as follows:

	Affordable	Market
Studios	5	-
1-Bedroom	10	-
2-Bedroom	6	-
3-Bedroom	-	-
Total	21	-

c) The unit mix, rents, operating costs, and acquisition price are based on a 21-unit apartment building in Berkeley that sold in October 2023.

d) Rehabilitation costs can vary depending on the building's condition, the scope of the work, required code compliance upgrades, and the presence of any hazards. Since the level of rehabilitation can range from minimal to extensive, this proforma assumes a building in relatively good condition requiring a moderate level of improvement. The goal of the rehabilitation is to ensure the building remains in good condition e) This includes funds for exterior upgrades, such as enhancing community gathering spaces and other outdoor improvements.

f) Capitalized reserves are set aside to cover unforeseen costs during sales and operations of the condominium or cooperative. They may be used for startup costs, warranty obligations, or carrying costs for unsold units. Typical reserves range from 2% to 5% of total project costs.

h) The developer's fee is modeled after Berkeley's Small Sites Program, which is \$80,000 + \$10,000 per unit, capped at 5% of project costs excluding the developer fee.

h) The City of Berkeley does not impose a strict cap on the per-unit subsidy under the Small Sites Program. However, the \$250,000 per unit figure serves as an estimate to evaluate how far local funds can stretch when leveraged with other funding sources. If no additional funding sources are available, the city would need to cover the entire funding gap.

Appendix C5: Acquisition Rehab, Conversion to Ownership for Existing Residents (Average 61% AMI)

This scenario models the acquisition of an existing rental building, with all tenants remaining in place and opting into a homeownership structure designed to ensure long-term affordability.

Development Program and Assumptions		Baseline: Current Tenant Mix
Site Size (sf)		15,240
Total Number of Units		21
Affordable Units Required (a)	100%	21
Number of Market Rate Units (b)	0%	-
Dwelling Units/Acre		60
Units (c)		
Studios		5
1-Bedroom		10
2-Bedroom		6
3-Bedroom		-
Average Unit Size		611
Total Residential Space (sf)		12,832
Total Open Space (sf)		5,000
Number of Parking Spaces		9
Parking spaces per unit		0.43
Development Costs		
Acquisition Cost per Residential Unit (c)		\$ 250,000
Hard Costs - Avg. Rehab Cost/Unit (d)		#REF!
Hard Costs - Open Space (e)		30
Rehab Cost Contingency		15.0%
Soft Costs exc. Fees (as % of hard)		20.0%
Financing Costs (Construction)		
Loan to Cost Ratio		60.0%
Interest Rate		7.0%
Loan Fees		1.5%
Construction Period (months)		12
Avg. Outstanding Bal During Construction		60.0%
Capitalized Reserves (f)		3.0%
Nonprofit Developer Fee (g)		\$ 290,000
Sales Assumptions		
Marketing Costs		5.0%

Development Costs		Baseline: Current Tenant Mix
Acquisition		\$ 5,250,000
Rehab Hard Costs with Contingency		#REF!
Landscaping		\$ 150,000
Soft Costs		#REF!
<i>Subtotal Const Costs Before Financing</i>		#REF!
Financing Costs		
Points		#REF!
Construction Period Interest		#REF!
<i>Subtotal Financing Costs</i>		#REF!
Capitalized Reserves		
Developer Fee		\$ 290,000
Total Development Costs		#REF!
<i>Total Development Cost per Unit</i>		#REF!

Development Feasibility and Financing	
Sales Revenue	\$ 4,846,647
Less Marketing Costs	\$ (242,332)
Net Sales Revenue	\$ 4,604,315
Less Total Development Cost	#REF!
Profit / (Loss)	#REF!
Return on Cost	#REF!
Sources of Financing	
Net Sales Revenue	\$ 4,604,315
Gap Financing (h)	#REF!
<i>Subsidy per Affordable Unit</i>	#REF!
Traditional Capital Stack to Fill Gap	
City HTF	#REF!
Other	#REF!

Public Benefit Metrics	
Average Project AMI	61%
% of Units Serving ELI Households	14%
% of Units Serving VLI Households	24%
% of Units Serving Low Households	29%
% of Units Serving Moderate Households	33%
% of Units Serving Above Mod Households	0%
% Units Serving <=80% AMI Households	67%

Notes:

a) Real estate investors who purchase existing buildings are not required to set-aside any units for affordable housing. For buildings built before 1995, Berkeley's rent stabilization ordinance applies. Rent increases are capped at the annual allowable rate set by the Rent Board. However, when a tenant vacates, landlords are permitted to reset to market rents under the Costa-Hawkins Rental Housing Act.

b) The distribution of affordable and market-rate units by bedroom size is as follows:

	Affordable	Market
Studios	5	-
1-Bedroom	10	-
2-Bedroom	6	-
3-Bedroom	-	-
Total	21	-

c) The unit mix, rents, operating costs, and acquisition price are based on a 21-unit apartment building in Berkeley that sold in October 2023.

d) Rehabilitation costs can vary depending on the building's condition, the scope of the work, required code compliance upgrades, and the presence of any hazards. Since the level of rehabilitation can range from minimal to extensive, this proforma assumes a building in relatively good condition requiring a moderate level of improvement. The goal of the rehabilitation is to ensure the building remains in good condition.

e) This includes funds for exterior upgrades, such as enhancing community gathering spaces and other outdoor improvements.

f) Capitalized reserves are set aside to cover unforeseen costs during sales and operations of the condominium or cooperative. They may be used for startup costs, warranty obligations, or carrying costs for unsold units. Typical reserves range from 2% to 5% of total project costs.

h) The developer's fee is modeled after Berkeley's Small Sites Program, which is \$80,000 + \$10,000 per unit, capped at 5% of project costs excluding the developer fee.

i) The City of Berkeley does not impose a strict cap on the per-unit subsidy under the Small Sites Program. However, the \$250,000 per unit figure serves as an estimate to evaluate how far local funds can stretch when leveraged with other funding sources. If no additional funding sources are available, the city would need to cover the entire funding gap.

Appendix C6: New Construction Rental - Baseline

This represents a typical market-rate project with an inclusionary set-aside, where 20% of the units are affordable and 80% of units are market-rate. Of the affordable units, half are at 50% AMI and, half are at 80% AMI. All townhomes will be rented at market rate.

Development Program and Assumptions		Baseline: Current Inclusionary
Site Size (sf)		23,527
Total Number of Units		97
Affordable Units Required (a)	20%	20
Number of Market Rate Units	80%	77
Dwelling Units/Acre		180
Units (c)		
Studios		49
1-Bedroom		20
2-Bedroom		18
3-Bedroom (Townhouses)		10
Average Unit Size		615
Net Residential Space (sf)		59,655
Common Area		21,816
Total Residential Space (sf)		81,471
Total Open Space (sf)		4,292
Number of Parking Spaces		49
Parking spaces per unit		0.51
Development Costs		
Land per Residential Unit (d)	\$	60,000
Land per Site sf	\$	247
Construction Type		Type 3
Site Work (per sq.ft. of site)	\$	25
Hard Costs - Res (e)	\$	450
Hard Costs - Open Space	\$	50
Parking Costs (per podium space)	\$	60,000
Soft Costs exc. Fees (as % of hard) (f)		22.0%
Impact Fees (g)		
BUSD School Fee	\$	5.17
1% Arts Fee		0.8%
Financing Costs (Construction)		
Loan to Cost Ratio		60.0%
Interest Rate		7.0%
Loan Fees		1.5%
Construction Period (months)		30
Avg. Outstanding Bal During Construction		60.0%
Financing Costs (Permanent)		
Interest Rate		6.0%
Debt Coverage Ratio (Perm)		1.15
Capitalized Reserve (# of months) (h)		
Nonprofit Developer Fee (i)	\$	2,500,000
Market Rents		
Studios	\$	2,850
1-Bedroom	\$	3,500
2-Bedroom	\$	4,400
3-Bedroom (Townhouses)	\$	6,800
Operations		
Vacancy		5.0%
OpEx per unit (exc. prop taxes)	\$	6,000
Property Tax Rate (j)		1.20%
Cap Rate		4.50%

Development Costs		Baseline: Current Inclusionary
Land	\$	5,820,000
Construction and Soft Costs		
Site Work	\$	588,175
Hard Costs - Residential	\$	36,876,550
Hard Costs - Parking	\$	2,940,000
Soft Costs	\$	8,889,040
School Fee	\$	421,205
Art Fee	\$	323,238
Subtotal Const Costs Before Financing	\$	50,038,207
Financing Costs		
Points	\$	450,344
Construction Period Interest	\$	3,152,407
Subtotal Financing Costs	\$	3,602,751
Capitalized Reserves		
Developer Fee (h)	\$	-
Total Development Costs	\$	59,460,958
Total Development Cost per Unit (inc. land)	\$	613,000
Total Development Cost per Unit (exc. land)	\$	553,000

Development Feasibility and Financing	
Net Operating Income (NOI)	\$ 2,597,123
Capitalized Value	\$ 57,713,833
Less Total Development Cost	\$ (59,460,958)
Profit / (Loss)	\$ (1,747,125)
Return on Cost	-2.9%
Sources of Financing	
Supportable Loan	\$ 31,086,046
Private Equity (k)	\$ 28,374,912
Traditional Capital Stack to Fill Gap	
LIHTC	N/A
City HTF	N/A
Other	N/A

Operations	
Stabilized Gross Income	\$ 3,930,336
Less: Vacancy	\$ (196,517)
Less: Op Expenses excluding Property Taxes	\$ (582,000)
Less: Property Taxes (j)	\$ (554,697)
Net Operating Income (NOI)	\$ 2,597,123

Affordability Metrics	
Average Project AMI	108%
% of Units Serving ELI Households	0%
% of Units Serving VLI Households	10%
% of Units Serving Low Households	10%
% of Units Serving Moderate Households	0%
% of Units Serving Above Mod Households	79%
% Units Serving <=80% AMI Households	21%

Notes:

- a) The inclusionary requirement applies to new residential developments above 5,000 square feet and can be met through a combination of providing units and paying a prorated fee. This proforma assumes developers will meet the full affordable housing requirement on-site.
- b) The distribution of affordable and market-rate units by bedroom size is as follows:

	<u>Affordable</u>	<u>Market</u>	<u>Market Rate AMIs</u>
Studios	10	39	105%
1-Bedroom	5	15	120%
2-Bedroom	5	13	125%
3-Bedroom	5	10	170%
Total	20	77	

- c) The development program is based on plans submitted in 2024 and includes stacked flats with an at-grade podium garage. The project received a 50% density bonus and includes a mix of stacked flats on floors 2 through 6, and two-story townhouses on floors 7 and 8.
- d) The land cost per unit was based on entitled projects located on sites larger than 1/3 acre that were sold along major commercial corridors, including San Pablo Avenue, University Avenue, and Shattuck Avenue.
- e) Hard costs include all direct expenses associated with construction, including materials, labor, and equipment, required to construct the structure, excluding site work and parking, which are calculated separately. This figure captures the costs associated with Berkeley's Hard Hat and Bird Safe Building policies.
- f) Soft costs include indirect expenses like design, insurance, and city fees, based on the City of Berkeley's fee calculator. The soft-to-hard cost ratio generally aligns with the assumptions in Strategic Economics' April 2024 report, *Berkeley In-Lieu Fee and Housing Policies Economic Feasibility Analysis*.
- g) The current impact fees that apply to residential projects are:
 - Berkeley Unified School District fee
 - 1% Arts Fee
 The Affordable Housing In-Lieu Fee is available if a developer chooses to partially satisfy the inclusionary requirement by paying a fee.
- h) Market-rate projects typically do not capitalize operating reserves, instead relying on lease-up reserves or projected cash flow to cover operating costs. Reserves are more common in affordable housing or when required by lenders.
- i) The developer fee was calculated using the CTCAC Developer Fee Calculator provided by the State Treasurer's Office, based on an eligible basis that includes hard and soft costs, and assuming financing through 4% tax credits. For projects deemed infeasible by the market, this reflects the fee that affordable housing developers would expect to undertake this type of project. Because the baseline presents a market-rate, inclusionary development, no non-profit developer fee was included in the development costs.
- j) Mixed income projects may qualify for a partial property tax exemption under California's Revenue and Taxation Code Section 214(g). The exemption is prorated based on the percentage of units restricted to low-income households. Additional requirements include a regulatory agreement, an appropriate ownership structure, and compliance with other eligibility criteria. A community land that owns the land can also qualify for a property tax exemption with higher income limits. This proforma assumes the property tax exemption applies only to the units designated for low-income households or below.
- k) This represents the funding needed to cover the gap between project costs and supportable debt. Market-rate projects close this gap using private equity, including developer contributions, preferred equity, and other private sources seeking competitive returns.

Sources: The Housing Workshop; Urban Math, 2024.

Appendix C7: New Construction Rental - Half & Half

This assumes 50% of units will be affordable, with 10% serving 50% AMI and 40% serving 80% AMI households. The remaining will be market-rate. All townhomes will be rented at market rents to cross-subsidize. This project could qualify for SB 35/SB 423 streamlining.

Development Program and Assumptions		Option A: Half & Half
Site Size (sf)		23,527
Total Number of Units		97
Affordable Units Required (a)	50%	49
Number of Market Rate Units (b)	50%	48
Dwelling Units/Acre		180
Units (c)		
Studios		49
1-Bedroom		20
2-Bedroom		18
3-Bedroom (Townhouses)		10
Average Unit Size		615
Net Residential Space (sf)		59,655
Common Area		21,816
Total Residential Space (sf)		81,471
Total Open Space (sf)		4,292
Number of Parking Spaces		49
Parking spaces per unit		0.51
Development Costs		
Land per Residential Unit (d)	\$	60,000
Land per Site sf	\$	247
Construction Type		Type 3
Site Work (per sq.ft. of site)	\$	25
Hard Costs - Res (e)	\$	518
Hard Costs - Open Space	\$	50
Parking Costs (per podium space)	\$	60,000
Soft Costs exc. Fees (as % of hard) (f)		22.0%
Impact Fees (g)		
BUSD School Fee	\$	5.17
1% Arts Fee		0.8%
Financing Costs (Construction)		
Loan to Cost Ratio		60.0%
Interest Rate		7.0%
Loan Fees		1.5%
Construction Period (months)		30
Avg. Outstanding Bal During Construction		60.0%
Financing Costs (Permanent)		
Interest Rate		6.0%
Debt Coverage Ratio (Perm)		1.15
Capitalized Reserve (# of months) (h)		
		6
Nonprofit Developer Fee (i)		
	\$	2,500,000
Market Rents		
Studios	\$	2,850
1-Bedroom	\$	3,500
2-Bedroom	\$	4,400
3-Bedroom (Townhouses)	\$	6,800
Operations		
Vacancy		5.0%
OpEx per market unit (exc. prop taxes)	\$	6,000
OpEx Adjustment for Affordable Units (j)		15.0%
Property Tax Rate (k)		1.20%
Cap Rate		4.50%

Development Costs		Option A: Half & Half
Land	\$	5,820,000
Construction and Soft Costs		
Site Work	\$	588,175
Hard Costs - Residential	\$	42,375,843
Hard Costs - Parking	\$	2,940,000
Soft Costs	\$	10,098,884
School Fee	\$	421,205
Art Fee	\$	367,232
<i>Subtotal Const Costs Before Financing</i>	\$	56,791,339
Financing Costs		
Points	\$	511,122
Construction Period Interest	\$	3,577,854
<i>Subtotal Financing Costs</i>	\$	4,088,976
Capitalized Reserves	\$	1,541,554
Developer Fee	\$	2,500,000
Total Development Costs	\$	70,741,869
<i>Total Development Cost per Unit (inc. land)</i>	\$	729,298
<i>Total Development Cost per Unit (exc. land)</i>	\$	669,298

Development Feasibility and Financing	
Net Operating Income (NOI)	\$ 2,523,058
Capitalized Value	\$ 56,067,949
Less Total Development Cost	\$ (70,741,869)
Profit / (Loss)	\$ (14,673,920)
Return on Cost	-20.7%
Sources of Financing	
Supportable Loan	\$ 30,199,533
Gap Financing (l)	\$ 40,542,335
<i>Subsidy per Affordable Unit</i>	\$ 827,395
Traditional Capital Stack to Fill Gap	
Tax Credit Equity	\$ 12,984,374
City HTF	\$ 9,800,000
Other	\$ 17,757,962

Operations	
Stabilized Gross Income	\$ 3,591,792
Less: Vacancy	\$ (179,590)
Less: Op Expenses excluding Property Taxes	\$ (582,000)
Less: Property Taxes (k)	\$ (307,145)
Net Operating Income (NOI)	\$ 2,523,058

Affordability Metrics	
Average Project AMI	99%
% of Units Serving ELI Households	0%
% of Units Serving VLI Households	9%
% of Units Serving Low Households	41%
% of Units Serving Moderate Households	0%
% of Units Serving Above Mod Households	49%
% Units Serving <=80% AMI Households	51%

Notes:

- a) The inclusionary requirement applies to new residential developments above 5,000 square feet and can be met through a combination of providing units and paying a prorated fee. This proforma assumes developers will meet the full affordable housing requirement on-site.
- b) The distribution of affordable and market-rate units by bedroom size is as follows:

	<u>Affordable</u>	<u>Market</u>	<u>Market Rate AMIs</u>
Studios	26	23	105%
1-Bedroom	12	8	120%
2-Bedroom	11	7	125%
3-Bedroom		10	170%
Total	49	48	

- c) The development program is based on plans submitted in 2024 and includes stacked flats with an at-grade podium garage. The project received a 50% density bonus and includes a mix of stacked flats on floors 2 through 6, and two-story townhouses on floors 7 and 8.
- d) The land cost per unit was based on entitled projects located on sites larger than 1/3 acre that were sold along major commercial corridors, including San Pablo Avenue, University Avenue, and Shattuck Avenue.
- e) Hard costs include all direct expenses associated with construction, including materials, labor, and equipment, required to construct the structure, excluding site work and parking, which are calculated separately. This figure captures the costs associated with Berkeley's Hard Hat and Bird Safe Building policies. This also incorporates an adjustment from the baseline market-rate project to reflect added costs associated with affordable projects, including prevailing wages.
- f) Soft costs include indirect expenses like design, insurance, and city fees, based on the City of Berkeley's fee calculator. The soft-to-hard cost ratio generally aligns with the assumptions in Strategic Economics' April 2024 report, *Berkeley In-Lieu Fee and Housing Policies Economic Feasibility Analysis*.
- g) The current impact fees that apply to residential projects are:
 - Berkeley Unified School District fee
 - 1% Arts Fee

The Affordable Housing In-Lieu Fee is available if a developer chooses to partially satisfy the inclusionary requirement by paying a fee.
- h) Capitalized reserves for a rental project are funds set aside to cover unforeseen costs during lease-up and operations. A standard reserve amount is equivalent to 3 to 6 months of operating expenses, including debt service.
- i) The developer fee was calculated using the CTCAC Developer Fee Calculator provided by the State Treasurer's Office, based on an eligible basis that includes hard and soft costs, and assuming financing through 4% tax credits. For projects deemed infeasible by the market, this reflects the fee that affordable housing developers would expect to undertake this type of project.
- j) An adjustment is made to reflect the higher operating costs in affordable projects, such as expenses related to regulatory compliance and reserves. This adjustment is applied when affordable units comprise more than 50% of the units or when the average AMI is below 70% AMI.
- k) Mixed income projects may qualify for a partial property tax exemption under California's Revenue and Taxation Code Section 214(g). The exemption is prorated based on the percentage of units restricted to low-income households. A community land trust that owns the land can also qualify for a property tax exemption with higher income limits.
- l) This represents the funding needed to bridge the gap between the development cost and the supportable debt. Traditional market-rate projects rely on equity to close this gap, while affordable projects depend on tax-credit equity and other soft funding sources.

Sources: The Housing Workshop; Urban Math, 2025.

Appendix C8: New Construction Rental - Predominantly Affordable

This assumes an even distribution of units at 30% AMI, 50% AMI, 80% AMI, and market-rate rents. All townhomes will be rented at market rates to cross-subsidize the affordable units.

Development Program and Assumptions		Option B: Predominantly Affordable
Site Size (sf)		23,527
Total Number of Units		97
Affordable Units Required (a)	80%	78
Number of Market Rate Units (b)	20%	19
Dwelling Units/Acre		180
Units (c)		
Studios		49
1-Bedroom		20
2-Bedroom		18
3-Bedroom (Townhouses)		10
Average Unit Size		615
Net Residential Space (sf)		59,655
Common Area		21,816
Total Residential Space (sf)		81,471
Total Open Space (sf)		4,292
Number of Parking Spaces		49
Parking spaces per unit		0.51
Development Costs		
Land per Residential Unit (d)	\$	60,000
Land per Site sf	\$	247
Construction Type		Type 3
Site Work (per sq.ft. of site)	\$	25
Hard Costs - Res (e)	\$	518
Hard Costs - Open Space	\$	50
Parking Costs (per podium space)	\$	60,000
Soft Costs exc. Fees (as % of hard) (f)		22.0%
Impact Fees (g)		
BUSD School Fee	\$	5.17
1% Arts Fee		0.8%
Financing Costs (Construction)		
Loan to Cost Ratio		60.0%
Interest Rate		7.0%
Loan Fees		1.5%
Construction Period (months)		30
Avg. Outstanding Bal During Construction		60.0%
Financing Costs (Permanent)		
Interest Rate		6.0%
Debt Coverage Ratio (Perm)		1.15
Capitalized Reserve (# of months) (h)		6
Nonprofit Developer Fee (i)	\$	2,500,000
Market Rents		
Studios	\$	2,850
1-Bedroom	\$	3,500
2-Bedroom	\$	4,400
3-Bedroom (Townhouses)	\$	6,800
Operations		
Vacancy		5.0%
OpEx per unit (exc. prop taxes)	\$	6,000
OpEx Adjustment for Affordable Units (j)		15.0%
Property Tax Rate (k)		1.20%
Cap Rate		4.50%

Development Costs	Option B: Predominantly Affordable
Land	\$ 5,820,000
Construction and Soft Costs	
Site Work	\$ 588,175
Hard Costs - Residential	\$ 42,375,843
Hard Costs - Parking	\$ 2,940,000
Soft Costs	\$ 10,098,884
School Fee	\$ 421,205
Art Fee	\$ 367,232
<i>Subtotal Const Costs Before Financing</i>	\$ 56,791,339
Financing Costs	
Points	\$ 511,122
Construction Period Interest	\$ 3,577,854
<i>Subtotal Financing Costs</i>	\$ 4,088,976
Capitalized Reserves	\$ 1,131,392
Developer Fee	\$ 2,500,000
Total Development Costs	\$ 70,331,707
<i>Total Development Cost per Unit (inc. land)</i>	\$ 725,069
<i>Total Development Cost per Unit (exc. land)</i>	\$ 665,069

Development Feasibility and Financing	
Net Operating Income (NOI)	\$ 1,712,357
Capitalized Value	\$ 38,052,371
Less Total Development Cost	\$ (70,331,707)
Profit / (Loss)	\$ (32,279,336)
Return on Cost	-45.9%
Sources of Financing	
Supportable Loan	\$ 20,495,914
Gap Financing (l)	\$ 49,835,793
<i>Subsidy per Affordable Unit</i>	\$ 638,920
Traditional Capital Stack to Fill Gap	
Tax Credit Equity	\$ 20,643,746
City HTF	\$ 15,600,000
Other	\$ 13,592,047

Operations	
Stabilized Gross Income	\$ 2,616,984
Less: Vacancy	\$ (130,849)
Less: Op Expenses excluding Property Taxes	\$ (652,200)
Less: Property Taxes (k)	\$ (121,578)
Net Operating Income (NOI)	\$ 1,712,357

Affordability Metrics	
Average Project AMI	71%
% of Units Serving ELI Households	27%
% of Units Serving VLI Households	27%
% of Units Serving Low Households	27%
% of Units Serving Moderate Households	0%
% of Units Serving Above Mod Households	20%
% Units Serving <=80% AMI Households	80%

Notes:

- a) The inclusionary requirement applies to new residential developments above 5,000 square feet and can be met through a combination of providing units and paying a prorated fee. This proforma assumes developers will meet the full affordable housing requirement on-site.
- b) The distribution of affordable and market-rate units by bedroom size is as follows:

	<u>Affordable</u>	<u>Market</u>	<u>Market Rate AMIs</u>
Studios	42	7	105%
1-Bedroom	19	1	120%
2-Bedroom	17	1	125%
3-Bedroom		10	170%
Total	<u>78</u>	<u>19</u>	

- c) The development program is based on plans submitted in 2024 and includes stacked flats with an at-grade podium garage. The project received a 50% density bonus and includes a mix of stacked flats on floors 2 through 6, and two-story townhouses on floors 7 and 8.
- d) The land cost per unit was based on entitled projects located on sites larger than 1/3 acre that were sold along major commercial corridors, including San Pablo Avenue, University Avenue, and Shattuck Avenue.
- e) Hard costs include all direct expenses associated with construction, including materials, labor, and equipment, required to construct the structure, excluding site work and parking, which are calculated separately. This figure captures the costs associated with Berkeley's Hard Hat and Bird Safe Building policies. This also incorporates an adjustment from the baseline market-rate project to reflect added costs associated with affordable projects, including prevailing wages.
- f) Soft costs include indirect expenses like design, insurance, and city fees, based on the City of Berkeley's fee calculator. The soft-to-hard cost ratio generally aligns with the assumptions in Strategic Economics' April 2024 report, *Berkeley In-Lieu Fee and Housing Policies* Economic Feasibility Analysis.

- g) The current impact fees that apply to residential projects are:

- Berkeley Unified School District fee
- 1% Arts Fee

The Affordable Housing In-Lieu Fee is available if a developer chooses to partially satisfy the inclusionary requirement by paying a fee.

- h) Capitalized reserves for a rental project are funds set aside to cover unforeseen costs during lease-up and operations. A standard reserve amount is equivalent to 3 to 6 months of operating expenses, including debt service.
- i) The developer fee was calculated using the CTCAC Developer Fee Calculator provided by the State Treasurer's Office, based on an eligible basis that includes hard and soft costs, and assuming financing through 4% tax credits. For projects deemed infeasible by the market, this reflects the fee that affordable housing developers would expect to undertake this type of project.
- j) An adjustment is made to reflect the higher operating costs in affordable projects, such as expenses related to regulatory compliance and reserves. This adjustment is applied when affordable units comprise more than 50% of the units or when the average AMI is below 70% AMI.
- k) Mixed income projects may qualify for a partial property tax exemption under California's Revenue and Taxation Code Section 214(g). The exemption is prorated based on the percentage of units restricted to low-income households. A community land trust that owns the land can also qualify for a property tax exemption with higher income limits.
- l) This represents the funding needed to bridge the gap between the development cost and the supportable debt. Traditional market-rate projects rely on equity to close this gap, while affordable projects depend on tax-credit equity and other soft funding sources.

Sources: The Housing Workshop; Urban Math, 2025.

Appendix C9: New Construction Rental - 100% Affordable

This proforma models a 100% affordable housing project with an equal distribution of units at 30% AMI, 40% AMI, 50% AMI, and 60% AMI.

There are no market-rate units in this scenario.

Development Program and Assumptions		Option C: 100% Affordable
Site Size (sf)		23,527
Total Number of Units		97
Affordable Units Required (a) (b)	100%	97
Number of Market Rate Units	0%	-
Dwelling Units/Acre		180
Units (c)		
Studios		49
1-Bedroom		20
2-Bedroom		18
3-Bedroom (Townhouses)		10
Average Unit Size		615
Net Residential Space (sf)		59,655
Common Area		21,816
Total Residential Space (sf)		81,471
Total Open Space (sf)		4,292
Number of Parking Spaces		49
Parking spaces per unit		0.51
Development Costs		
Land per Residential Unit (d)	\$	60,000
Land per Site sf	\$	247
Construction Type		Type 3
Site Work (per sq.ft. of site)	\$	25
Hard Costs - Res (e)	\$	518
Hard Costs - Open Space	\$	50
Parking Costs (per podium space)	\$	60,000
Soft Costs exc. Fees (as % of hard) (f)		22.0%
Impact Fees (g)		
BUSD School Fee	\$	5.17
1% Arts Fee		0.8%
Financing Costs (Construction)		
Loan to Cost Ratio		60.0%
Interest Rate		7.0%
Loan Fees		1.5%
Construction Period (months)		30
Avg. Outstanding Bal During Construction		60.0%
Financing Costs (Permanent)		
Interest Rate		6.0%
Debt Coverage Ratio (Perm)		1.15
Capitalized Reserve (# of months) (h)		
		6
Nonprofit Developer Fee (i)		
	\$	2,500,000
Market Rents		
Studios	\$	2,850
1-Bedroom	\$	3,500
2-Bedroom	\$	4,400
3-Bedroom (Townhouses)	\$	6,800
Operations		
Vacancy		5.0%
OpEx per unit (exc. prop taxes)	\$	6,000
OpEx Adjustment for Affordable Units (j)		15.0%
Property Tax Rate (k)		1.20%
Cap Rate		4.50%

Development Costs		Option C: 100% Affordable
Land	\$	5,820,000
Construction and Soft Costs		
Site Work	\$	588,175
Hard Costs - Residential	\$	42,375,843
Hard Costs - Parking	\$	2,940,000
Soft Costs	\$	10,098,884
School Fee	\$	421,205
Art Fee	\$	367,232
<i>Subtotal Const Costs Before Financing</i>	\$	56,791,339
Financing Costs		
Points	\$	511,122
Construction Period Interest	\$	3,577,854
<i>Subtotal Financing Costs</i>	\$	4,088,976
Capitalized Reserves	\$	699,190
Developer Fee	\$	2,500,000
Total Development Costs	\$	69,899,505
<i>Total Development Cost per Unit (inc. land)</i>	\$	720,613
<i>Total Development Cost per Unit (exc. land)</i>	\$	660,613

Development Feasibility and Financing	
Net Operating Income (NOI)	\$ 838,441
Capitalized Value	\$ 18,632,027
Less Total Development Cost	\$ (69,899,505)
Profit / (Loss)	\$ (51,267,478)
Return on Cost	-73.3%
Sources of Financing	
Supportable Loan	\$ 10,035,654
Gap Financing (l)	\$ 59,863,851
<i>Subsidy per Affordable Unit</i>	\$ 617,153
Traditional Capital Stack to Fill Gap	
Tax Credit Equity	\$ 25,631,802
City HTF	\$ 19,400,000
Other	\$ 14,832,049

Operations	
Stabilized Gross Income	\$ 1,587,096
Less: Vacancy	\$ (79,355)
Less: Op Expenses	\$ (669,300)
Less: Property Taxes (k)	\$ -
Net Operating Income (NOI)	\$ 838,441

Affordability Metrics	
Average Project AMI	45%
% of Units Serving ELI Households	26%
% of Units Serving VLI Households	49%
% of Units Serving Low Households	25%
% of Units Serving Moderate Households	0%
% of Units Serving Above Mod Households	0%
% Units Serving <=80% AMI Households	100%

Notes:

a) This proforma models a 100% affordable housing project, with all units available to households earning 60% of AMI or less.

b) The distribution of affordable units by bedroom size is as follows:

	<u>Affordable</u>	<u>Market</u>
Studios	49	
1-Bedroom	20	
2-Bedroom	18	
3-Bedroom	10	-
Total	<u>97</u>	-

c) The development program is based on plans submitted in 2024 and includes stacked flats with an at-grade podium garage. The project received a 50% density bonus and includes a mix of stacked flats on floors 2 through 6, and two-story townhouses on floors 7 and 8.

d) The land cost per unit was based on entitled projects located on sites larger than 1/3 acre that were sold along major commercial corridors, including San Pablo Avenue, University Avenue, and Shattuck Avenue.

e) Hard costs includes all direct expenses associated with construction, including materials, labor, and equipment, required to construct the structure, excluding site work and parking, which are calculated separately. This figure captures the costs associated with Berkeley's Hard Hat and Bird Safe Building policies. This also incorporates an adjustment from the baseline market-rate project to reflect added costs associated with affordable projects, including prevailing wages.

f) Soft costs include indirect expenses like design, insurance, and city fees, based on the City of Berkeley's fee calculator. The soft-to-hard cost ratio generally aligns with the assumptions in Strategic Economics' April 2024 report, *Berkeley In-Lieu Fee and Housing Policies Economic Feasibility Analysis*.

g) The current impact fees that apply to residential projects are:

- Berkeley Unified School District fee
- 1% Arts Fee

The Affordable Housing In-Lieu Fee is available if a developer chooses to partially satisfy the inclusionary requirement by paying a fee.

h) Capitalized reserves for a rental project are funds set aside to cover unforeseen costs during lease-up and operations. A standard reserve amount is equivalent to 3 to 6 months of operating expenses, including debt service.

i) The developer fee was calculated using the CTCAC Developer Fee Calculator provided by the State Treasurer's Office, based on an eligible basis that includes hard and soft costs, and assuming financing through 4% tax credits. For projects deemed infeasible by the market, this reflects the fee that affordable housing developers would expect to undertake this type of project.

j) An adjustment is made to reflect the higher operating costs in affordable projects, such as expenses related to regulatory compliance and reserves. This adjustment is applied when affordable units comprise more than 50% of the units or when the average AMI is below 70% AMI.

k) This project qualifies for a 100% property tax exemption.

l) This represents the funding needed to bridge the gap between the development cost and the supportable debt. Traditional market-rate projects rely on equity to close this gap, while affordable projects depend on tax-credit equity and other soft funding sources.

Sources: The Housing Workshop; Urban Math, 2025.

Appendix C10: New Construction Rental - Half & Half (Enhanced)

This assumes 50% of units will be affordable, with 10% serving 50% AMI and 40% serving 80% AMI households. The remaining will be market-rate. All townhomes will be rented at market rents to cross-subsidize. This project could qualify for SB 35/SB 423 streamlining.

This version assumes no land cost, lower construction costs, and a lower permanent financing rate compared to the original scenario.

Development Program and Assumptions		Option A: Half & Half with Lower Costs
Site Size (sf)		23,527
Total Number of Units		97
Affordable Units Required (a)	50%	49
Number of Market Rate Units (b)	50%	48
Dwelling Units/Acre		180
Units (c)		
Studios		49
1-Bedroom		20
2-Bedroom		18
3-Bedroom (Townhouses)		10
Average Unit Size		615
Net Residential Space (sf)		59,655
Common Area		21,816
Total Residential Space (sf)		81,471
Total Open Space (sf)		4,292
Number of Parking Spaces		49
Parking spaces per unit		0.51
Development Costs		
Land per Residential Unit (d)		
Land per Site sf	\$	-
Construction Type		Type 3
Site Work (per sq.ft. of site)	\$	25
Hard Costs - Res (e)	\$	475
Hard Costs - Open Space	\$	50
Parking Costs (per podium space)	\$	60,000
Soft Costs exc. Fees (as % of hard) (f)		22.0%
Impact Fees (g)		
BUSD School Fee	\$	5.17
1% Arts Fee		0.8%
Financing Costs (Construction)		
Loan to Cost Ratio		60.0%
Interest Rate		7.0%
Loan Fees		1.5%
Construction Period (months)		30
Avg. Outstanding Bal During Construction		60.0%
Financing Costs (Permanent)		
Interest Rate		3.0%
Debt Coverage Ratio (Perm)		1.15
Capitalized Reserve (# of months) (h)		6
Nonprofit Developer Fee (i)	\$	2,500,000
Market Rents		
Studios	\$	2,850
1-Bedroom	\$	3,500
2-Bedroom	\$	4,400
3-Bedroom (Townhouses)	\$	6,800
Operations		
Vacancy		5.0%
OpEx per market unit (exc. prop taxes)	\$	6,000
OpEx Adjustment for Affordable Units (j)		15.0%
Property Tax Rate (k)		1.20%
Cap Rate		4.50%

Development Costs		Option A: Half & Half with Lower Costs
Land		
Construction and Soft Costs		
Site Work	\$	588,175
Hard Costs - Residential	\$	38,913,325
Hard Costs - Parking	\$	2,940,000
Soft Costs	\$	9,337,130
School Fee	\$	421,205
Art Fee	\$	339,532
Subtotal Const Costs Before Financing	\$	52,539,367
Financing Costs		
Points	\$	472,854
Construction Period Interest	\$	3,309,980
Subtotal Financing Costs	\$	3,782,834
Capitalized Reserves	\$	1,541,554
Developer Fee	\$	2,500,000
Total Development Costs	\$	60,363,755
Total Development Cost per Unit (inc. land)	\$	622,307
Total Development Cost per Unit (exc. land)	\$	622,307

Development Feasibility and Financing	
Net Operating Income (NOI)	\$ 2,523,058
Capitalized Value	\$ 56,067,949
Less Total Development Cost	\$ (60,363,755)
Profit / (Loss)	\$ (4,295,806)
Return on Cost	-7.1%
Sources of Financing	
Supportable Loan	\$ 43,002,648
Gap Financing (l)	\$ 17,361,108
Traditional Capital Stack to Fill Gap	
Tax Credit Equity	\$ 12,072,751
City HTF	\$ 5,288,357
Other	\$ -

Operations	
Stabilized Gross Income	\$ 3,591,792
Less: Vacancy	\$ (179,590)
Less: Op Expenses excluding Property Taxes	\$ (582,000)
Less: Property Taxes (k)	\$ (307,145)
Net Operating Income (NOI)	\$ 2,523,058

Affordability Metrics	
Average Project AMI	99%
% of Units Serving ELI Households	0%
% of Units Serving VLI Households	9%
% of Units Serving Low Households	41%
% of Units Serving Moderate Households	0%
% of Units Serving Above Mod Households	49%
% Units Serving <=80% AMI Households	51%

Notes:

- a) The inclusionary requirement applies to new residential developments above 5,000 square feet and can be met through a combination of providing units and paying a prorated fee. This proforma assumes developers will meet the full affordable housing requirement on-site.
- b) The distribution of affordable and market-rate units by bedroom size is as follows:

	<u>Affordable</u>	<u>Market</u>	<u>Market Rate AMIs</u>
Studios	26	23	105%
1-Bedroom	12	8	120%
2-Bedroom	11	7	125%
3-Bedroom		10	170%
Total	49	48	

c) The development program is based on plans submitted in 2024 and includes stacked flats with an at-grade podium garage. The project received a 50% density bonus and includes a mix of stacked flats on floors 2 through 6, and two-story townhouses on floors 7 and 8.

d) The land cost per unit was based on entitled projects located on sites larger than 1/3 acre that were sold along major commercial corridors, including San Pablo Avenue, University Avenue, and Shattuck Avenue.

e) Hard costs include all direct expenses associated with construction, including materials, labor, and equipment, required to construct the structure, excluding site work and parking, which are calculated separately. This figure captures the costs associated with Berkeley's Hard Hat and Bird Safe Building policies. This version includes a downward adjustment to account for cost-saving strategies such as smaller unit sizes, reduced parking, modular construction, and similar approaches.

f) Soft costs include indirect expenses like design, insurance, and city fees, based on the City of Berkeley's fee calculator. The soft-to-hard cost ratio generally aligns with the assumptions in Strategic Economics' April 2024 report, *Berkeley In-Lieu Fee and Housing Policies Economic Feasibility Analysis*.

g) The current fees that apply to residential projects are:

- Berkeley Unified School District fee
- 1% Arts Fee

The Affordable Housing In-Lieu Fee is available if a developer chooses to partially satisfy the inclusionary requirement by paying a fee.

h) Capitalized reserves for a rental project are funds set aside to cover unforeseen costs during lease-up and operations. A standard reserve amount is equivalent to 3 to 6 months of operating expenses, including debt service.

i) The developer fee was calculated using the CTCAC Developer Fee Calculator provided by the State Treasurer's Office, based on an eligible basis that includes hard and soft costs, and assuming financing through 4% tax credits. For projects deemed infeasible by the market, this reflects the fee that affordable housing developers would expect to undertake this type of project.

j) An adjustment is made to reflect the higher operating costs in affordable projects, such as expenses related to regulatory compliance and reserves. This adjustment is applied when affordable units comprise more than 50% of the units or when the average AMI is below 70% AMI.

k) Mixed income projects may qualify for a partial property tax exemption under California's Revenue and Taxation Code Section 214(g). The exemption is prorated based on the percentage of units restricted to low-income households. A community land trust that owns the land can also qualify for a property tax exemption with higher income limits. The property taxes in this enhanced version are held constant and match the original scenario. This approach ensures that differences in outcomes reflect the impact of the other factors.

l) This represents the funding needed to bridge the gap between the development cost and the supportable debt. Traditional market-rate projects rely on equity to close this gap, while affordable projects depend on tax-credit equity and other soft funding sources.

Sources: The Housing Workshop; Urban Math, 2025.

Appendix C11: New Construction Rental - Predominantly Affordable (Enhanced)

This assumes an even distribution of units at 30% AMI, 50% AMI, 80% AMI, and market-rate rents. All townhomes will be rented at market rates to cross-subsidize the affordable units. This enhanced version assumes no land cost, lower construction costs, and a lower permanent financing rate compared to the original scenario.

Development Program and Assumptions		Option B: Predominantly Affordable with Lower Costs
Site Size (sf)		23,527
Total Number of Units		97
Affordable Units Required (a)	80%	78
Number of Market Rate Units (b)	20%	19
Dwelling Units/Acre		180
Units (c)		
Studios		49
1-Bedroom		20
2-Bedroom		18
3-Bedroom (Townhouses)		10
Average Unit Size		615
Net Residential Space (sf)		59,655
Common Area		21,816
Total Residential Space (sf)		81,471
Total Open Space (sf)		4,292
Number of Parking Spaces		49
Parking spaces per unit		0.51
Development Costs		
Land per Residential Unit (d)		
Land per Site sf	\$	-
Construction Type		Type 3
Site Work (per sq.ft. of site)	\$	25
Hard Costs - Res (e)	\$	475
Hard Costs - Open Space	\$	50
Parking Costs (per podium space)	\$	60,000
Soft Costs exc. Fees (as % of hard) (f)		22.0%
Impact Fees (g)		
BUSD School Fee	\$	5.17
1% Arts Fee		0.8%
Financing Costs (Construction)		
Loan to Cost Ratio		60.0%
Interest Rate		7.0%
Loan Fees		1.5%
Construction Period (months)		30
Avg. Outstanding Bal During Construction		60.0%
Financing Costs (Permanent)		
Interest Rate		3.0%
Debt Coverage Ratio (Perm)		1.15
Capitalized Reserve (# of months) (h)		6
Nonprofit Developer Fee (i)	\$	2,500,000
Market Rents		
Studios	\$	2,850
1-Bedroom	\$	3,500
2-Bedroom	\$	4,400
3-Bedroom (Townhouses)	\$	6,800
Operations		
Vacancy		5.0%
OpEx per unit (exc. prop taxes)	\$	6,000
OpEx Adjustment for Affordable Units (j)		15.0%
Property Tax Rate (k)		1.20%
Cap Rate		4.50%

Development Costs		Option B: Predominantly Affordable with Lower Costs
Land	\$	-
Construction and Soft Costs		
Site Work	\$	588,175
Hard Costs - Residential	\$	38,913,325
Hard Costs - Parking	\$	2,940,000
Soft Costs	\$	9,337,130
School Fee	\$	421,205
Art Fee	\$	339,532
<i>Subtotal Const Costs Before Financing</i>	\$	52,539,367
Financing Costs		
Points	\$	472,854
Construction Period Interest	\$	3,309,980
<i>Subtotal Financing Costs</i>	\$	3,782,834
Capitalized Reserves	\$	1,131,392
Developer Fee	\$	2,500,000
Total Development Costs	\$	59,953,593
<i>Total Development Cost per Unit (inc. land)</i>	\$	618,078
<i>Total Development Cost per Unit (exc. land)</i>	\$	618,078

Development Feasibility and Financing	
Net Operating Income (NOI)	\$ 1,712,357
Capitalized Value	\$ 38,052,371
Less Total Development Cost	\$ (59,953,593)
Profit / (Loss)	\$ (21,901,222)
Return on Cost	-36.5%
Sources of Financing	
Supportable Loan	\$ 29,185,171
Gap Financing (l)	\$ 30,768,422
<i>Subsidy per Affordable Unit</i>	\$ 394,467
Traditional Capital Stack to Fill Gap	
Tax Credit Equity	\$ 19,185,150
City HTF	\$ 11,583,272
Other	\$ -

Operations	
Stabilized Gross Income	\$ 2,616,984
Less: Vacancy	\$ (130,849)
Less: Op Expenses excluding Property Taxes	\$ (652,200)
Less: Property Taxes (k)	\$ (121,578)
Net Operating Income (NOI)	\$ 1,712,357

Affordability Metrics	
Average Project AMI	71%
% of Units Serving ELI Households	27%
% of Units Serving VLI Households	27%
% of Units Serving Low Households	27%
% of Units Serving Moderate Households	0%
% of Units Serving Above Mod Households	20%
% Units Serving <=80% AMI Households	80%

Notes:

- a) The inclusionary requirement applies to new residential developments above 5,000 square feet and can be met through a combination of providing units and paying a prorated fee. This proforma assumes developers will meet the full affordable housing requirement on-site.
- b) The distribution of affordable and market-rate units by bedroom size is as follows:

	<u>Affordable</u>	<u>Market</u>	<u>Market Rate AMIs</u>
Studios	42	7	105%
1-Bedroom	19	1	120%
2-Bedroom	17	1	125%
3-Bedroom		10	170%
Total	<u>78</u>	<u>19</u>	

- c) The development program is based on plans submitted in 2024 and includes stacked flats with an at-grade podium garage. The project received a 50% density bonus and includes a mix of stacked flats on floors 2 through 6, and two-story townhouses on floors 7 and 8.
- d) The land cost per unit was based on entitled projects located on sites larger than 1/3 acre that were sold along major commercial corridors, including San Pablo Avenue, University Avenue, and Shattuck Avenue.
- e) Hard costs include all direct expenses associated with construction, including materials, labor, and equipment, required to construct the structure, excluding site work and parking, which are calculated separately. This figure captures the costs associated with Berkeley's Hard Hat and Bird Safe Building policies. This version includes a downward adjustment to account for cost-saving strategies such as smaller unit sizes, reduced parking, modular construction, and similar approaches.
- f) Soft costs include indirect expenses like design, insurance, and city fees, based on the City of Berkeley's fee calculator. The soft-to-hard cost ratio generally aligns with the assumptions in Strategic Economics' April 2024 report, *Berkeley In-Lieu Fee and Housing Policies Economic Feasibility Analysis*.
- g) The current fees that apply to residential projects are:

Berkeley Unified School District fee
1% Arts Fee

- The Affordable Housing In-Lieu Fee is available if a developer chooses to partially satisfy the inclusionary requirement by paying a fee.
- h) Capitalized reserves for a rental project are funds set aside to cover unforeseen costs during lease-up and operations. A standard reserve amount is equivalent to 3 to 6 months of operating expenses, including debt service.
- i) The developer fee was calculated using the CTCAC Developer Fee Calculator provided by the State Treasurer's Office, based on an eligible basis that includes hard and soft costs, and assuming financing through 4% tax credits. For projects deemed infeasible by the market, this reflects the fee that affordable housing developers would expect to undertake this type of project.
- j) An adjustment is made to reflect the higher operating costs in affordable projects, such as expenses related to regulatory compliance and reserves. This adjustment is applied when affordable units comprise more than 50% of the units or when the average AMI is below 70% AMI.
- k) Mixed income projects may qualify for a partial property tax exemption under California's Revenue and Taxation Code Section 214(g). The exemption is prorated based on the percentage of units restricted to low-income households. A community land trust that owns the land can also qualify for a property tax exemption with higher income limits. The property taxes in this enhanced version are held constant and match the original scenario. This approach ensures that differences in outcomes reflect the impact of the other factors.
- l) This represents the funding needed to bridge the gap between the development cost and the supportable debt. Traditional market-rate projects rely on equity to close this gap, while affordable projects depend on tax-credit equity and other soft funding sources.

Sources: The Housing Workshop; Urban Math, 2025.

Appendix C12: New Construction Rental - 100% Affordable (Enhanced)

This proforma models a 100% affordable housing project with an equal distribution of units at 30% AMI, 40% AMI, 50% AMI, and 60% AMI.

There are no market-rate units in this scenario. This enhanced version assumes no land cost, lower construction costs, and a lower permanent financing rate compared to the original scenario.

Development Program and Assumptions		Option C: 100% Affordable with Lower Costs
Site Size (sf)		23,527
Total Number of Units		97
Affordable Units Required (a) (b)	100%	97
Number of Market Rate Units	0%	-
Dwelling Units/Acre		180
Units (c)		
Studios		49
1-Bedroom		20
2-Bedroom		18
3-Bedroom (Townhouses)		10
Average Unit Size		615
Net Residential Space (sf)		59,655
Common Area		21,816
Total Residential Space (sf)		81,471
Total Open Space (sf)		4,292
Number of Parking Spaces		49
Parking spaces per unit		0.51
Development Costs		
Land per Residential Unit (d)		
Land per Site sf		\$ -
Construction Type		Type 3
Site Work (per sq.ft. of site)		\$ 25
Hard Costs - Res (e)		\$ 475
Hard Costs - Open Space		\$ 50
Parking Costs (per podium space)		\$ 60,000
Soft Costs exc. Fees (as % of hard) (f)		22.0%
Impact Fees (g)		
BUSD School Fee		\$ 5.17
1% Arts Fee		0.8%
Financing Costs (Construction)		
Loan to Cost Ratio		60.0%
Interest Rate		7.0%
Loan Fees		1.5%
Construction Period (months)		30
Avg. Outstanding Bal During Construction		60.0%
Financing Costs (Permanent)		
Interest Rate		3.0%
Debt Coverage Ratio (Perm)		1.15
Capitalized Reserve (# of months) (h)		6
Nonprofit Developer Fee (i)		\$ 2,500,000
Market Rents		
Studios		\$ 2,850
1-Bedroom		\$ 3,500
2-Bedroom		\$ 4,400
3-Bedroom (Townhouses)		\$ 6,800
Operations		
Vacancy		5.0%
OpEx per unit (exc. prop taxes)		\$ 6,000
OpEx Adjustment for Affordable Units (j)		15.0%
Property Tax Rate (k)		1.20%
Cap Rate		4.50%

Development Costs		Option C: 100% Affordable with Lower Costs
Land		\$ -
Construction and Soft Costs		
Site Work		\$ 588,175
Hard Costs - Residential		\$ 38,913,325
Hard Costs - Parking		\$ 2,940,000
Soft Costs		\$ 9,337,130
School Fee		\$ 421,205
Art Fee		\$ 339,532
<i>Subtotal Const Costs Before Financing</i>		\$ 52,539,367
Financing Costs		
Points		\$ 472,854
Construction Period Interest		\$ 3,309,980
<i>Subtotal Financing Costs</i>		\$ 3,782,834
Capitalized Reserves		\$ 699,190
Developer Fee		\$ 2,500,000
Total Development Costs		\$ 59,521,391
<i>Total Development Cost per Unit (inc. land)</i>		\$ 613,623
<i>Total Development Cost per Unit (exc. land)</i>		\$ 613,623

Development Feasibility and Financing	
Net Operating Income (NOI)	\$ 838,441
Capitalized Value	\$ 18,632,027
Less Total Development Cost	\$ (59,521,391)
Profit / (Loss)	\$ (40,889,364)
Return on Cost	-68.7%
Sources of Financing	
Supportable Loan	\$ 14,290,276
Gap Financing (l)	\$ 45,231,115
<i>Subsidy per Affordable Unit</i>	\$ 466,300
Traditional Capital Stack to Fill Gap	\$ -
Tax Credit Equity	\$ 23,808,556
City HTF	\$ 19,400,000
Other	\$ 2,022,559

Operations	
Stabilized Gross Income	\$ 1,587,096
Less: Vacancy	\$ (79,355)
Less: Op Expenses	\$ (669,300)
Less: Property Taxes (k)	\$ -
Net Operating Income (NOI)	\$ 838,441

Affordability Metrics	
Average Project AMI	45%
% of Units Serving ELI Households	26%
% of Units Serving VLI Households	49%
% of Units Serving Low Households	25%
% of Units Serving Moderate Households	0%
% of Units Serving Above Mod Households	0%
% Units Serving <=80% AMI Households	100%

Notes:

a) This proforma models a 100% affordable housing project, with all units available to households earning 60% of AMI or less.

b) The distribution of affordable units by bedroom size is as follows:

	<u>Affordable</u>	<u>Market</u>
Studios	49	
1-Bedroom	20	
2-Bedroom	18	
3-Bedroom	<u>10</u>	<u>-</u>
Total	97	-

c) The development program is based on plans submitted in 2024 and includes stacked flats with an at-grade podium garage. The project received a 50% density bonus and includes a mix of stacked flats on floors 2 through 6, and two-story townhouses on floors 7 and 8.

d) The land cost per unit was based on entitled projects located on sites larger than 1/3 acre that were sold along major commercial corridors, including San Pablo Avenue, University Avenue, and Shattuck Avenue.

e) Hard costs includes all direct expenses associated with construction, including materials, labor, and equipment, required to construct the structure, excluding site work and parking, which are calculated separately. This figure captures the costs associated with Berkeley's Hard Hat and Bird Safe Building policies. This version includes a downward adjustment to account for cost-saving strategies such as smaller unit sizes, reduced parking, modular construction, and similar approaches.

f) Soft costs include indirect expenses like design, insurance, and city fees, based on the City of Berkeley's fee calculator. The soft-to-hard cost ratio generally aligns with the assumptions in Strategic Economics' April 2024 report, *Berkeley In-Lieu Fee and Housing Policies Economic Feasibility Analysis*.

g) The current fees that apply to residential projects are:

- Berkeley Unified School District fee
- 1% Arts Fee

The Affordable Housing In-Lieu Fee is available if a developer chooses to partially satisfy the inclusionary requirement by paying a fee.

h) Capitalized reserves for a rental project are funds set aside to cover unforeseen costs during lease-up and operations. A standard reserve amount is equivalent to 3 to 6 months of operating expenses, including debt service.

i) The developer fee was calculated using the CTCAC Developer Fee Calculator provided by the State Treasurer's Office, based on an eligible basis that includes hard and soft costs, and assuming financing through 4% tax credits. For projects deemed infeasible by the market, this reflects the fee that affordable housing developers would expect to undertake this type of project.

j) An adjustment is made to reflect the higher operating costs in affordable projects, such as expenses related to regulatory compliance and reserves. This adjustment is applied when affordable units comprise more than 50% of the units or when the average AMI is below 70% AMI.

k) This project qualifies for a 100% property tax exemption.

l) This represents the funding needed to bridge the gap between the development cost and the supportable debt. Traditional market-rate projects rely on equity to close this gap, while affordable projects depend on tax-credit equity and other soft funding sources.

Sources: The Housing Workshop; Urban Math, 2025.

Appendix D: Additional Resources

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