Affordable housing in Berkeley is produced in two ways:

- by private developers mixed into market-rate projects, and
- through government-funded nonprofit development projects.

Funding for the latter comes from fees on private development leveraged with county, state, and federal sources. All of these funding sources have depleted in recent years.

The Bay Area’s population is exploding. With an expected population growth of 24% by 2040, and pursuant to California Senate Bill 375, Berkeley has adopted a high-density, transit-oriented growth-management strategy around identified Priority Development Areas (see map above). With most of its land already developed, Berkeley is now facing the complicated task of accommodating “its share” of regional population growth while expanding availability of affordable housing.

How should Berkeley expand the supply of affordable housing using the density bonus plan?
**DENSITY**

Residential density is defined as the number of dwelling units per acre (du/ac)

**FLOOR AREA RATIO [FAR]**
Ratio of total floor area of structures on a lot to total square footage of lot

**LOT USE**

| Parking spaces | 4 - 10 du/ac |
| Parking spaces | 20 - 40 du/ac |
| Parking level entrance | 50 - 100 du/ac |

| Single Family Dwelling |  |
| Townhouses |  |
| Apartments |  |

**ZONING CONCESSIONS**
Reductions in certain zoning regulations, such as:

- Open space
- Parking
- Setbacks
- Height limits

**DENSITY BONUS**
An increase in the number of residential units on a parcel beyond what the zoning ordinance allows

---

**AFFORDABILITY**

Residential affordability is defined as 30% or less of household income spent on rent

**INCLUSIONARY HOUSING**

<table>
<thead>
<tr>
<th><strong>100% AFFORDABLE HOUSING</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Housing Trust Fund</td>
</tr>
</tbody>
</table>

**ASSOCIATED PROBLEMS**

- Inclusionary Housing
- 100% Affordable Housing

- Lack of community
- Peripheral location

- No in-building services
- “Ghettoizing” the poor

- Less affordable
- Lengthy build process

**BELOW MARKET RATE (BMR) UNITS**
Units that are reserved as affordable housing. Rents for below-market-rate units are set as 30% of the income of target tenant group (see Income Brackets table to the right).

**INCOME BRACKETS**

- Extremely Low Income
- Very Low Income
- Low Income
- Moderate Income

- 30% Area Median Income
- 50% AMI
- 80% AMI
- 100% AMI
Housing in Berkeley has become more expensive over time; construction has declined while demand, especially from students, has increased.
DWELLING ON DENSITY / POLICY BACKGROUND

**STATE DENSITY BONUS LAW**

Grants a % increase above local limits on the allowed number of residential units for a project along with two zoning concessions in exchange for inclusion of below market rate (BMR) units. Local governments cannot deny a density bonus to proposed projects that meet the state’s criteria.

**BERKELEY’S CURRENT PATHS TO AFFORDABLE HOUSING**

- DISINCENTIVES
  - Reduced rent from BMR units
  - Per-unit mitigation fee

- INCENTIVES
  - Density bonus mitigation fee exemption
  - 100% market-rate rents

**INCLUSIONARY**

- 10% very low income
- 20% low income
- 50% accessible for seniors

**PROPOSED CHANGES**

Berkeley City Council is reviewing a proposal that, if passed, would grant a 35% density bonus to developers who pay the housing mitigation fee as well as a density bonus fee.

California’s density bonus policy reduces Berkeley’s discretionary control over zoning and density, and gives developers incentives to include affordable housing on-site. The proposed changes could create an enticing local alternative.
### SAN FRANCISCO

#### DEMOGRAPHICS

<table>
<thead>
<tr>
<th>Metric</th>
<th>Value</th>
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<tbody>
<tr>
<td>Square Miles</td>
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<tr>
<td>Population</td>
<td>837,442</td>
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<tr>
<td>Median Income</td>
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<tr>
<td>Renters/ Owners</td>
<td>65%/35%</td>
</tr>
<tr>
<td>Median Rent as Median Share of Monthly Income</td>
<td>37%</td>
</tr>
</tbody>
</table>

#### DENSITY STANDARD

The San Francisco planning code standards outline maximum dwelling unit density based on zoning district and building use.

#### AFFORDABLE HOUSING POLICY

Residential developers building 10+ multifamily units must choose from the following options:

1. Include 12% BMR
2. Build affordable housing off-site, within 1 mile radius of market rate project
3. Mayor’s Office of Housing and Community Development

### SANTA MONICA

#### DEMOGRAPHICS

<table>
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<th>Metric</th>
<th>Value</th>
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<tbody>
<tr>
<td>Square Miles</td>
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<tr>
<td>Population</td>
<td>84,084</td>
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<tr>
<td>Median Income</td>
<td>$71,400/yr</td>
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<tr>
<td>Renters/ Owners</td>
<td>72%/28%</td>
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<tr>
<td>Median Rent as Median Share of Monthly Income</td>
<td>26%</td>
</tr>
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</table>

#### DENSITY STANDARD

The Santa Monica municipal code outlines maximum dwelling unit density based on zoning district and building use.

#### AFFORDABLE HOUSING POLICY

Residential developers building multifamily housing must choose from the following 4 options:

1. Build affordable housing off-site, within .25-mile radius of market rate project
2. Donate, sell, or option land to city or non-profit housing
3. Housing Trust Fund
4. Inclusionary units

San Francisco and Santa Monica both have instituted housing policies not present in Berkeley, namely set density standards and a radius requirement for off-site affordable housing.
54% of Berkeley renters are overpaying for rent. While sheer production of housing is necessary, it's important to look at the distribution of affordable housing, both geographically and economically, to ensure that that production is equitable. Below-market-rate units should be available within Berkeley's economic centers, and should meet the needs of the lowest income groups.

### Geographic Distribution

- **Inclusionary Housing Units Mapped**
- **100% Affordable Housing Units Mapped**

### Job Distribution

- **Jobs per sq mi**: 22,450 - 35,076, 12,001 - 22,450, 5,617 - 12,000, 1,407 - 5,616, 5 - 1,407

### Income Distribution

- **Income Bracket**
  - 15,000
  - 20,000
  - 25,000
  - 30,000
  - 35,000
  - 40,000
  - 45,000
  - 50,000
  - 70,000
  - 100,000

### Economic Distribution

- **Berkeley Population by Income Bracket**
  - Moderate & Upper Income: 9,565
  - Low Income: 4,305
  - Very Low Income: 3,650
  - Extremely Low Income: 7,865

- **# of Households**
  - Moderate-Income Units by Type:
    - 24 units
  - Low-Income Units by Type:
    - 168 units
  - Very-Low-Income Units by Type:
    - 126 units
  - Extremely-Low-Income Units by Type:
    - 255 units

100% affordable housing, in contrast to inclusionary units, is distributed outside job centers and provides more deeply affordable units. Moderate income units are not produced by either category.
There is significantly better access to neighborhood amenities, public transit, and retail in the area with a high concentration of inclusionary housing than in the area with a high concentration of 100% affordable projects.
Both emphasize clean, modern designs. 100% affordable projects put a strong emphasis on empowering residents through community activities, while inclusionary buildings focus on giving residents access to services on a more individual level.

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**INCLUSIONARY HOUSING**

**BUILDING TYPOLOGIES**

- Acton Courtyard (70 Total Units, 20 BMR)
- Allison Place (56 Total Units, 12 BMR)
- Berkeley Central (118 Total Units, 23 BMR)

**AMENITIES & SERVICES**

- Workout Facilities
- Communal Outdoor Courtyard/Terrace
- Pet friendly
- In-building Access to co-share services
- Washer-Dryer In-Unit

**QUOTES**

- "Set your home apart from the rest."
  - Hillside Village Apartments

- "We go to great lengths designing amenities and choosing locations that put everything within reach."
  - Avalon Berkeley

- "A home that suits your personal needs."
  - Equity Residential (GAIA Building)

---

**100% AFFORDABLE HOUSING**

**BUILDING TYPOLOGIES**

- Ashley Lofts (34 Units)
- Margaret Breland Homes (28 Units)
- Helios Corner (80 Units)

**AMENITIES & SERVICES**

- Communal Outdoor Courtyard/Terrace
- On-Site Workshops
- Wheel-Chair Friendly
- Computer Work Space
- Pet friendly

**QUOTES**

- "Our mission is to create and preserve affordable housing...to build community and enrich lives."
  - RCDD Housing

- "Artists Thrive in Live/Work Lots at 800 Heinz Ave."
  - The Berkeley Daily Planet, August 2005

- "It offers more than just an apartment home, it offers a worry-free lifestyle."
  - Market Urban Terrace Website

- "We put an emphasis on high-quality design that looks like a market-rate building."
  - SAHA Homes
SCENARIO EVALUATION

SCENARIO A:
- 10-unit building
- Meets 10% BMR unit req.

SCENARIO B:
- Pays $2 million ($28,000/unit) to city

CONCEPT-TO-OPERATION TIMELINE

I. Concept
II. Pre-Development
III. Development
IV. Construction
V. Operation

3 - 6 years

I. Concept & Securing Financing
II. Pre-Development
III. Final Design
IV. Construction
V. Operation

3.5 - 8 years

It takes more time to build 100% affordable housing projects; however, you get more units per development with this approach.

A typical affordable housing project costs $350,000-$400,000 per unit to build.

Funding sources: 20-25%, 75-80%, etc.

$100,000 of city funding produces 1 unit of affordable housing.

PRODUCTION OF AFFORDABLE HOUSING

INCLUSIONARY HOUSING

Meets 10% BMR unit req.

Pays $2 million ($28,000/unit) to city

3 - 6 years

3.5 - 8 years

Funding sources:

20-25%, 75-80%, etc.

$100,000 of city funding produces 1 unit of affordable housing.
This is a hypothetical analysis of the costs a 50-unit proposed development might incur related to affordable housing requirements under 3 scenarios. Scenarios A and B look at the current density bonus policy, and Scenario C looks at the proposed changes.

### PROPOSED DEVELOPMENT: BANCROFT APARTMENTS 2124 Bancroft Way

<table>
<thead>
<tr>
<th></th>
<th>Pay mitigation fee?</th>
<th>Include BMR units?</th>
<th>Seek density bonus?</th>
<th># of MR units</th>
<th># of BMR units</th>
<th>FEES / COSTS</th>
<th>ADDED REVENUE FROM DENSITY BONUS</th>
<th>TOTAL ANNUAL REVENUES FROM RENT</th>
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<tr>
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<td>✓</td>
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<tr>
<td>Pays mitigation fee</td>
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<td></td>
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<td><strong>SCENARIO B</strong></td>
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<td>✓</td>
<td>58</td>
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<tr>
<td>Builds on-site housing</td>
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<tr>
<td><strong>SCENARIO C</strong></td>
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<td>68</td>
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<tr>
<td>+ density bonus fees</td>
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*Cost here means the difference between revenue from inclusionary units at market rate minus inclusionary units at below market rate

Under the proposed policy change, Scenario C produces more units in aggregate while incurring greater costs on developers. However, the increased revenues would absorb that cost in under five years.
SUMMARY OF ANALYSIS

The lack of community issue was qualitatively supported, but needs further research.

In-building services exist in both cases, but address different needs.

Extremely low income households are underserved by inclusionary housing. Moderate income households are underserved by both.

Spatial analysis shows 100% affordable projects are primarily in peripheral locations outside job centers.

No noticeable income difference between market-rate and 100% affordable development neighborhoods.

100% affordable housing projects have a slightly lengthier build process, but result in more affordable units per development.

RECOMMENDATION #1:
Conduct a feasibility study to determine a “tipping point” for inclusionary requirements & fees under the new policy, in order to encourage a mixture. Look especially at ways to promote unit production for moderate-income households.

RECOMMENDATION #2:
Develop systems for gathering and analysing data on below-market-rate unit production, location, and affordability to allow for a holistic and adaptive affordable housing strategy.

RECOMMENDATION #3:
Create mechanisms for early community engagement between developers and community members around new proposals.

RECOMMENDATION #4:
Conduct a study on the effects of high-density developments on neighborhoods and incorporate community education.