



Office of the City Manager

July 13, 2022

To: Honorable Mayor and Members of the City Council
From: *DWR* Dee Williams-Ridley, City Manager
Subject: 2022 Biennial Automatic Adjustment of Affordable Housing Mitigation Fee

Resolution No. 68,074-N.S. established an automatic adjustment to the Affordable Housing Mitigation Fee (AHMF) to reflect changes in the California Construction Cost Index (CCCI) every two years. The AHMF is scheduled to increase as follows:

- Paid at Certificate of Occupancy: \$39,746 to \$46,185 per rental unit; or
- Paid at building permit: \$36,746 to \$43,185 per rental unit.

This fee adjustment is effective July 1, 2022.

The CCCI increased by approximately 2-4% each year between 2016 and 2020. In 2021, the CCCI increased by 13.4%. This represents a cumulative increase of 16.2% over the past two years. Attachment 1 provides an overview of CCCI. This significant increase is reflective of the escalating costs in construction and inflation affecting housing prices throughout the state.

Staff are preparing revisions to the City's affordable housing requirements in response to referrals, which will advance to City Council for review and potential adoption this fall. This includes transitioning the per unit AHMF to an inclusionary fee based on a project's square footage. Staff's recommendation for the square footage fee amount will be reflective of the 2020 AHMF. Additionally, staff will initiate a new feasibility study to inform potential updates to the fee later this year.

BACKGROUND

On June 27, 2017, City Council adopted Resolution No. 68,074-N.S. to apply the following changes to BMC 22.20.065:

"The Affordable Housing Mitigation Fee will be automatically adjusted by the annual percentage shown in the California Construction Cost Index (CCCI) published by the California Department of General Services, every other year beginning in 2018, on July 1. The automatic adjustment tied to the California Construction Cost Index shall not cause the

fee to exceed the maximum fee established by the most recent Nexus study, and shall apply to all projects that have not received final approval by the City of Berkeley prior to the date of the automatic adjustment.”

The fee established by the most recent Nexus Study (2015) was \$84,400 per rental unit and therefore the City is not prohibited from adjusting the fee to the new amount.

Attachments:

1. California Construction Cost Index (CCCI) table published by the State of California Department of General Services

cc: Paul Buddenhagen, Deputy City Manager
LaTanya Bellow, Deputy City Manager
Jenny Wong, City Auditor
Mark Numainville, City Clerk
Matthai Chakko, Assistant to the City Manager
Farimah Brown, City Attorney
Jordan Klein, Director, Planning & Development
Lisa Warhuus, Director, Health, Housing, & Community Services

