



Office of the City Manager

INFORMATION CALENDAR

January 20, 2026

To: Honorable Mayor and Members of the City Council
 From: Paul Buddenhagen, City Manager
 Submitted by: Scott Gilman, Director, Health, Housing, and Community Services
 Subject: Small Sites Program Update

INTRODUCTION

City Council approved the Small Sites Program (SSP) in 2018. As individual loan applications do not require Council approval, Council directed staff to provide the Housing Advisory Commission and Council with SSP updates. This report includes an update on the SSP and information on the newest project awarded SSP loan funds.

SUMMARY

The Department of Health, Housing, and Community Services' (HHCS) / Housing and Community Services Division (HCS) staff shared two information reports – one in December 2019, after the approval of the first SSP project, Stuart Street Apartments (1638 Stuart) and a second in January 2024, after the approval of Solano Avenue Cooperative (1685 Solano). This report includes an update on the SSP and information on the third project awarded SSP loan funds, California Street Apartments (2627 California).

CURRENT SITUATION AND ITS EFFECTS

The City issued its third SSP Notice of Funding Availability (NOFA) in July 2024 and received one application from Bay Area Community Land Trust (BACLT) for the acquisition and renovation of the 12-unit California Street Apartments. BACLT requested \$3,599,348 for the project. BACLT acquired the occupied property in November 2024 and completed the project's first phase, focusing on abatement and mold remediation. BACLT's second phase of renovations will address the building envelope, major systems, and unit interiors, based on a scope substantiated by a third-party physical needs assessment.

The proposed project meets the SSP goals by protecting existing tenants from Ellis Act evictions and restricting units for long-term affordability.

Contingent upon resident support, BACLT intends to operate the 12-unit property as a non-equity or limited-equity cooperative serving households earning up to 80% of the Area Median Income, with shared management responsibilities between the residents and BACLT. In either model, BACLT will retain ownership of the land and lease the

improvements to the residents. The California Street Apartments application is available online at the [City of Berkeley website](#). HCS staff’s project review is attached.

The City issued its fourth SSP NOFA for \$2.5 million in August 2025. The NOFA includes \$1.4 million unallocated through the 2024 SSP NOFA process and \$1.1 million in new funding adopted by Resolution 71,861-N.S. for FY2026. At the time of drafting of this report, no applications have been received, though two local organizations indicated they are pursuing potential SSP projects.

BACKGROUND

The SSP was created in 2018 by Resolution No. 68,623-N.S., adopted on October 2, 2018. The program serves as an over-the-counter application process with projects approved by the City Manager. SSP proposals do not go to the Housing Advisory Commission or City Council for approval. Projects that meet the program criteria receive funding, if funding is available.

There is no permanent funding source for the Small Sites Program. Staff release NOFAs after Council allocates funds to the program. To date, HHCS/HCS has released four SSP NOFAs and funded three projects.

Summary of SSP NOFAs

SSP NOFA Released	Project Awarded	Units	City Funds (SSP Loan)	SSP Funds Per Unit	Year Rehab Completed
2019	Stuart Street Apartments	8	\$2,102,500	\$263K	2022
2020	Solano Avenue Cooperative	13	\$3,900,000	\$300K	2023
2024	California Street Apartments	12	\$3,599,348	\$300K	TBD
2025	\$2.5M NOFA released in August 2025. To be updated when a project is funded.				

If the City receives multiple proposals concurrently in response to a NOFA, staff would prioritize the application that best meets the SSP goals. The proposals are reviewed based on the SSP Guidelines [posted on the City’s website](#).

Renovations are inherently riskier than new construction, as building deficiencies are often uncovered in the course of the project and may exceed the required construction

contingency. To help mitigate the risk, the City requires SSP developers to hire third-party construction managers if they cannot demonstrate sufficient in-house capacity. SSP projects require significant HHCS/HCS staff involvement, relative to new construction projects carried out by higher capacity developers with multiple other lenders and layers of oversight.

ENVIRONMENTAL SUSTAINABILITY AND CLIMATE IMPACTS

BACLT's rehab scope for California Street Apartments includes replacing all windows with double-paned insulated windows and upgrading all lighting to LED and kitchen appliances to energy-star grade. BACLT will consider switching from gas heating to heat pump electric heaters as part of the electrical upgrade of the property.

POSSIBLE FUTURE ACTION

HHCS is accepting applications for the Small Sites Program under its active NOFA for \$2.5 million. The funding is anticipated to support one new SSP project.

FISCAL IMPACTS OF POSSIBLE FUTURE ACTION

The number and size of feasible projects varies with the amount of SSP funds available; therefore, the fiscal impacts will depend on Council's future actions. A significant expansion of funds available for SSP projects would require additional staffing, since the program anticipates an expedited timeline and requires close staff involvement.

CONTACT PERSON

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Attachments:

1. 2627 California Street Project Review Form

Small Sites Program - Project Review

Applicant:	Bay Area Community Land Trust
Project Name:	California Street Apartments
Project Address:	2627 California Street
SSP Funds Requested:	3,599,348

Project Summary:

BACLT is in the process of acquiring an occupied, 12-unit property at 2627 California Street. The building consists of two studio units, three 1-BR units, six 2-BR units, and one 3-BR unit. BACLT is planning to renovate the property to upgrade the building envelope, major systems, and unit interiors. BACLT will work with the existing residents in transitioning the rental property into either a limited equity housing cooperative (LEHC) or a resident operated nonprofit (RON, a type of non-equity cooperative). BACLT will educate and train residents in cooperative management, and the residents will choose the model they prefer.

Program Objectives:

Are residents at imminent risk of Ellis Act evictions?	yes
Is the property occupied?	yes
Do the existing residents include vulnerable populations (i.e. families with minor children, elderly, disabled, and catastrophically-ill persons)? <i>If yes, describe vulnerable population, below.</i>	yes
Among the existing residents there are three households with elderly people, one with a disabled household member, and one family with minor children.	
Average AMI of current residents:	53%
Subsidy per unit:	299,946
Number of affordable units proposed:	12
Proposed conversion to LEHC?:	yes

Developer Experience and Capacity

Developer must have completed one comparable project, and have the demonstrated capacity to undertake the proposed project.

Developer Capacity
BACLT is a small, Berkeley-based nonprofit developer. In recent years, the organization has worked to increase its organizational and development capacity, thanks in part to capacity building grants from the City of Berkeley. BACLT grew from one part-time staff person in 2018 to having six staff in 2024. The development team will consist of two BACLT staff: the Organizational Director and Project Manager who have experience in managing projects and cooperatives similar to the proposed project. BACLT will also hire a third-party construction manager to oversee the project renovation, and keeping that consultant on through the renovation process will be a condition of the City's loan.

The organization's financial indicators are mixed. The current ratio is a little low (1.6 compared to the preferred 2.0 or higher), but their cash ratio and days cash (number of days BACLT can fund operations with current resources) are strong. A small organization such as BACLT is more impacted by changes in income and expenses than a larger organization with more financial resources. The City awarded another \$200k in capacity building support for BACLT in FY2025, and BACLT's developer fee will help support the organization's growth.

Developer Experience
Since the approval of the Small Sites Program in 2018, the City has awarded two loans to BACLT for two projects: an 8-unit property at 1638 Stuart and a 13-unit property at 1685 Solano. Both projects are completed and occupied. BACLT faced significant budget challenges with the Stuart project, due to the extremely poor condition of the buildings and inadequate initial estimates for the construction scope and budget. BACLT requested additional funding from the City in 2020, 2021, and 2022 to support the renovation work. The Solano project was partially occupied, and BACLT worked closely with the tenants to coordinate the acquisition and renovation. In addition to the Berkeley projects, BACLT owns two properties in Oakland, including one that is under renovation and substantially complete.

California Street Apartments

Property Eligibility

Total number of units:	12
Do all residential units meet the City's definition of 'dwelling unit'?	yes
Is the majority of the property residential?	yes

Project Scope

Does the proposed renovation meet the health and safety needs of the	yes
Is the renovation scope and budget supported by a physical needs assessment (PNA) of the property?	yes

The property's physical needs assessment (PNA) identified \$874,400 in immediate capital needs, all of which are included in the proposed renovation scope and budget. The rehab scope will involve new roof installation, window replacement, electrical system upgrades, and installation of new drainage. In addition, there will be general upgrade of the units, including new appliances, heaters, kitchen and bath upgrades and flooring. Some longer term scope items identified in the PNA will be addressed during operations, and will be paid for out of the replacement reserves.

Project Budget

Is the proposed City loan leveraged with private financing?	yes
Is the proposed per unit subsidy under the program limits?	yes
Is the acquisition price substantiated by an appraisal showing both the fair market value and the anticipated restricted value?	yes
Are fees charged to the project reasonable?	yes
Is the developer fee less than the program limit of \$80,000 plus \$10,000 per unit, not to exceed 5% of project costs (excluding the developer fee)?	no, see note
Are construction management fees less than \$25,500?	no, see note
Does the renovation budget include state prevailing wage rates?	yes
Construction contingency (must be 15% or higher)	15%
Soft cost contingency (must be 15% or higher)	13%
Do the reserves comply with the following?	
Operating: 25% of budgeted 1st year operating expenses	yes
Replacement: Greater of \$2,000 per unit or the amount necessary to pay replacement costs for the next 10 years, as specified in the PNA.	no, see note
Vacancy: The monthly rent for units (residential and commercial) vacant at acquisition, multiplied by the number of months expected to remain vacant during renovation and lease-up.	yes

Developer Fee and Construction Management Fee:

Under the SSP, BACLТ is eligible for a \$200k developer fee. BACLТ requested \$284k, which is approximately 6% of the total project costs. BACLТ also requested a higher construction management fee, to reflect industry standards.

Financing:

The City loan is contingent upon BACLТ securing private financing. BACLТ provided an LOI from Bay Area LISC, indicating their intent to lend up to \$1,270,000 to the project. BACLТ's budgets indicated a need for \$1,499,491 from LISC. BACLТ will need to secure its commitment from LISC in the amount needed to make the project feasible.

Contingencies:

BACLТ's hard and soft cost contingencies are slightly lower than the 15% required by the SSP. The construction contingency is about \$23k short, and the soft cost contingency is a little over \$6k short. With careful oversight and cost controls, these deficiencies should not impact the feasibility of the project.

Replacement Reserves:

The capitalized replacement reserve is budgeted at \$2K per unit (\$24K), which falls short of the \$36k PNA estimate of what is required for anticipated capital needs in the first ten years of operations.

Operating Proforma

Is there a positive cash flow for 15+ years after project completion?	yes
Do the vacancy rates meet or exceed program requirements (5% residential, 20% commercial)	yes
Do the reserve deposits comply with the following:	
Operating: None unless balance drops below 25% of prior year's operating expenses	TBD
Replacement: The higher of a) the amount needed according to the approved 20-year PNA, or b) \$400 per unit per year (\$350 per unit for projects with 11+ units)	no, see note

Reserve Deposits:

As part of annual compliance monitoring, staff will review the project's reserves to determine whether additional deposits are required.

- The operating budget currently shows no annual deposits to the operating reserve.
- BACLТ budgeted \$350 per unit per year for replacement reserve deposits, which is not sufficient to keep up with the projected capital needs identified in the PNA. BACLТ plans to supplement the reserve with a property tax refund, and deposits from the project's cash flow.

Existing Tenants and Affordability

Have 75% of existing households acknowledged their agreement to participate (in the conversion to restricted affordability and cooperative conversion, if applicable)?

yes

Does the project have an average affordability of 80% of the area median income (AMI)?

yes

Do 66% or more of the existing households income-certify, with incomes averaging up to 80% AMI? Up to 34% of households may be over-income (above 120% AMI) or refuse to certify.

yes

Existing Tenants:

Ten out of 12 units are occupied, with a total of 19 residents. Household sizes vary from 1 to 4 members, and incomes range from 4% of the area median income (AMI) to 100% AMI. All units will be restricted at 80% AMI. The two existing households that are over 80% AMI are eligible to stay, and new residents moving in will need to meet the income qualifications.

Limited Equity Housing Cooperative

Is applicant proposing to convert the property to a limited equity housing cooperative (LEHC)?

yes

Applicant experience with LEHC conversion:

BACLT is proposing some level of resident management (LEHC or RON). BACLT has extensive experience working with resident communities on cooperative conversions, including providing education, technical assistance, and oversight. The existing tenants have expressed support for this effort.

Exceptions to the Program Guidelines

Did the Applicant request or does the project require any exceptions to the program guidelines?

yes

Describe exceptions, below.

Developer Fee and Construction Management Fee:
 Under the SSP, BACLT is eligible for a \$200k developer fee. BACLT requested \$284k, which is approximately 6% of the total project costs. BACLT also requested a higher construction management fee, to reflect industry standards. Housing staff think both are acceptable, given the amount of project management and oversight required for an acq-rehab project.

Contingencies:
 BACLT's hard and soft cost contingencies are 13% instead of the 15% required under the Small Sites Program. While not a significant shortfall, BACLT will need to demonstrate cost control strategies during the renovations to stay within the budget. The City subsidy is nearly at the maximum allowed under the program for a project of this size.

Replacement Reserves:
 The construction budget, capitalized replacement reserve, and ongoing replacement reserve deposits are sufficient to address the project's immediate capital needs as identified in the PNA, but not the anticipated repairs that will fall within the first 10-20 years of project operations. BACLT has a plan to supplement the replacement reserve in anticipation of future repair needs, and City staff will review progress towards that goal as part of its annual monitoring.

Funding Recommendation

Fund the project at \$3,599,348, conditioned on BACLT complying with the following:

- Securing a first mortgage in an amount sufficient to complete the project
- Retaining a construction management consultant to oversee the renovations
- Submitting a City-approved relocation plan prior to construction start
- Meeting the City's requirements for converting the property to a cooperative
- Securing CEQA and NEPA approvals, as applicable

Note: Separate from this process, the City will enter into a contract for FY2025 capacity building funds that will include performance standards to support BACLT's continued growth.

