

Rashi Kesarwani
Councilmember District 1

SUPPLEMENTAL AGENDA MATERIAL for Supplemental Packet

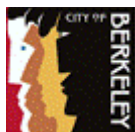
Meeting Date: June 23, 2026

Item Number: 1

Item Description: Adoption of Fiscal Years 2027 and 2028 Biennial Budget and Fiscal Years 2027 – 2031 Capital Improvement Program

Submitted by: Councilmember Rashi Kesarwani (Author) and Councilmembers Brent Blackaby and Terry Taplin (Co-Sponsors)

This supplemental item proposes to fund 9.00 full-time equivalent positions in the Fire Department, along with two other recommendations. These amendments are offered as a supplement to the budget proposed by the Mayor and City Manager.



Rashi Kesarwani
Councilmember, District 1

ACTION CALENDAR
June 23, 2026

TO: Honorable Mayor and Members of the City Council

FROM: Councilmember Rashi Kesarwani (Author) and Councilmembers Brent Blackaby and Terry Taplin (Co-Sponsors)

SUBJECT: Proposed Amendments to the FY 2026-27-FY 2027-28 Biennial Budget Proposed by the Mayor and City Manager

RECOMMENDATION

Pursuant to a request from Councilmembers Kesarwani and Blackaby made at the June 11, 2026 meeting of the Budget and Finance Policy Committee, restore a total of 8.00 full-time equivalent (FTE) positions in the Fire Department, including 5.00 FTE Firefighter positions and 3.00 FTE Paramedic positions at a total cost of \$1,490,102 in FY 2026-27. Additionally, restore a 1.00 FTE Fire Inspector position at a total cost of \$238,232 in FY 2026-27 in order to avoid longer wait times for inspections, permit reviews, and code enforcement services. Specifically, longer wait times for permit reviews would have a detrimental impact on our City's ability to approve building permits for new housing development projects in a timely manner, impacting receipt of increased property tax revenue and the generation of new economic activity.

Proposed revenue sources to fund the 9.00 FTE positions include General Fund balance, pausing a contract for Capacity Building for Small Developers (from Measure U1, a General Fund source) that has not yet been awarded, and Ambulance Transport Revenue from Alameda County. Significantly, these solutions do not further reduce any position authority in other City departments. Rather, in the case of the Ambulance Transport Revenue, the revenue source is associated with Fire Department services. Finally, a nexus exists between funding the 1.00 FTE Fire Inspector associated with the approval of building permits and Measure U1—a General Fund tax that raised the business license tax on residential rental units. See Exhibit 1 below for a summary of the proposed budget recommendation, which is intended to supplement and amend the proposal put forward by the Mayor and City Manager.

Exhibit 1: Summary of Proposed Recommendation

SOURCES		
	FY 2026-27	FY 2027-28
General Fund Balance	\$750,000	\$750,000
Capacity Building for Small Developers	200,000	200,000
Increased Ambulance Transport Revenue	780,000	810,000
District 6 Office Surplus Funds	50,000	25,000
TOTAL	\$1,780,000	\$1,785,000
USES		
5.00 FTE Firefighters (Step 1)	1,109,795	1,122,010
3.00 FTE Paramedics (Step 1)	380,307	385,443
1.00 FTE Fire Inspector (Step 1)	238,232	247,840
Euclid Street Garbage Corral Design	50,000	25,000
TOTAL	\$1,778,334	\$1,780,293
Small Sites Allocation from Housing Trust Fund totaling \$3.8 million is redirected to provide funding for new affordable housing projects, where the funds will leverage state, federal, and private dollars at a rate of 4:1, yielding a total of about \$19 million.		

In addition, provide funding for Euclid Street Commercial District Garbage Corrals (\$50,000 in FY 2026-27 and \$25,000 in FY 2027-28) funded from surplus funds from Councilmember Blackaby's District 6 office budget to improve street conditions for residents, merchants, students, and shoppers along this street corridor.

Further, delete Mayor's proposed \$3.8 million Housing Trust Fund allocation to Small Sites in order to ensure funds are available for new affordable housing projects in the pipeline that are in need of additional funding. We note that the **Northern California Land Trust and Bay Area Community Land Trust have already been awarded a combined total of \$8.2 million** as follows:

- 1685 Solano Avenue / Solano Avenue Cooperative (Bay Area Community Land Trust) was awarded \$3.9 million to fund the purchase of the 13-unit apartment building.¹
- 2321 Tenth Street (Northern California Land Trust) has already been awarded a combined total of \$3.3 million to acquire an eight-unit property.²
- 3120-3130 Shattuck Avenue / Woolsey Gardens (Northern California Land Trust) has been awarded \$1 million for predevelopment.³

Meanwhile, the following new affordable housing projects are known to have additional funding needs:

- **1740 San Pablo Avenue** is a blighted property at the corner of Delaware Street and San Pablo Avenue that is **in need of \$2- to 4-million in local gap funding** to create **54 new units of deed-restricted below-market-rate affordable housing**, according to the Health, Housing and Community Services (HHCS) staff. The site is accessible to bus lines along San Pablo Avenue and is a short 15-minute walk/5-minute bike ride to North Berkeley BART.
- **The North Berkeley BART Permanent Supportive Housing (PSH)** building for formerly homeless people is **in need of \$3 million in local gap funding** to create **85 new units of deed-restricted below-market-rate affordable housing**, according to Insight Housing. This project was listed in the City’s Measure W advocacy letter to Alameda County as “shovel-ready,” and in need of immediate funding: “North Berkeley BART Insight Permanent Supportive Housing: 85 units of PSH at the North Berkeley BART station site could start construction in 2026 if they are successful in securing the remaining project financing. Cost: \$3M in capitalized operating reserves needed as soon as possible.” This \$3 million gap will be needed even if the North Berkeley BART PSH development is awarded a Homekey+ award, according to Insight Housing Chief Executive Officer Calleene Egan.

The funding needs of new affordable housing projects span the City, including marquee projects like Supportive Housing at People’s Park and Affordable Housing at the Ashby West lot. Lesser known projects are also in need of resources:

- The development proposed for **Ephesians Church** (1708 Harmon Street) needs **\$4 million for predevelopment expenses** to create **80 new units of housing for low-income seniors**.
- The development proposed for **First Church** (2330 Durant Avenue) needs predevelopment funding to create **50-60 new units of deed-restricted affordable housing**.

¹ Savidge, Nico, “To boost affordable housing, Berkeley looks to buy, not just build,” Berkeleyside, June 5, 2022 <https://www.berkeleyside.org/2022/06/05/berkeley-affordable-housing-acquisition-rehabilitation-small-sites>

² Warhuss, Lisa, “Northern California Land Trust - 2321 Tenth Street Housing Trust Fund Reservation,” Consent Calendar, Nov. 7, 2023, <https://berkeleyca.gov/sites/default/files/documents/2023-11-07%20Item%2007%20Northern%20California%20Land%20Trust.pdf>

³ Arreguin, Jesse and Harrison, Kate, “Waivers for Woolsey Gardens Affordable Housing Project,” Action Calendar, July 25, 2023, <https://berkeleyca.gov/sites/default/files/documents/2023-07-25%20Item%2040%20Waivers%20for%20Woolsey%20Gardens.pdf>

New Affordable Housing Leverages More Than \$4 Dollars for Every Local Dollar Invested . . . Given that the City of Berkeley has already extended more than \$8 million to the Small Sites model and the City is currently facing a \$30 million deficit necessitating layoffs, we believe that the City should reserve its scarce Housing Trust Fund dollars to the highest and best use of those resources. According to Enterprise Community Partners' 2025 California Affordable Housing Pipeline Report, new affordable housing projects leverage \$4 in private and federal funds for every public dollar invested.⁴ Because local dollars sit at the foundation of the funding stack—unlocking state subsidies that in turn attract federal tax credits and private equity—the true leverage ratio for Berkeley's Housing Trust Fund dollars is likely even greater than 4:1.⁵ Conservatively applying the 4:1 ratio, redirecting \$3.8 million away from a Small Site acquisition and toward new affordable housing would yield a total of approximately \$19 million in affordable housing investment in our community—with the actual figure likely higher.⁶

. . . Whereas Small Sites Acquisitions Are Not Eligible for State or Federal Funding.

By contrast, the Small Sites model is not eligible for the state and federal funding sources that make new affordable housing financially viable at scale. The foundation of virtually every new affordable housing project in California is the Low-Income Housing Tax Credit (LIHTC)—the largest source of affordable housing funding in the U.S.—which requires deed-restricted rental housing subject to long-term regulatory agreements.⁷ Small Sites acquisition projects do not qualify for LIHTC and therefore cannot access the private equity that tax credits generate.⁸ Similarly, California's major affordable housing funding programs—including the Multifamily Housing Program, Infill Infrastructure Grant, and Homekey+—are structured around new construction or substantial rehabilitation of deed-restricted rental units under long-term regulatory agreements, and are not available to fund Small Sites-style acquisition without accompanying rehabilitation and deed restriction.⁹ The practical result is that Small Sites projects are funded almost entirely from

⁴ Enterprise Community Partners, "2025 California Affordable Housing Pipeline" (March 4, 2025), <https://www.enterprisecommunity.org/learning-center/resources/2025-california-affordable-housing-pipeline>. The report notes the 4:1 leverage factor is "based on a 2022-2025 average of LIHTC-funded affordable rental housing that also received state and local subsidy."

⁵ The Enterprise report measures leverage at the state funding layer — meaning state dollars leverage \$4 in private and federal funds. Local dollars sit below state dollars in the capital stack, first unlocking state subsidies and then, through those state subsidies, attracting federal tax credits and private equity. The effective leverage ratio for local dollars is therefore compounded, making 4:1 a conservative estimate of their impact.

⁶ Calculated as \$3.8M in local HTF funds × 5 (the local dollar plus \$4 in leveraged funds) = \$19M in total affordable housing investment.

⁷ Internal Revenue Code § 42; California Tax Credit Allocation Committee (TCAC), "Low Income Housing Tax Credit Program," <https://www.treasurer.ca.gov/ctcac/program.asp>. LIHTC requires a minimum 30-year compliance period (55 years in California practice) and units must be deed-restricted rental housing.

⁸ TCAC regulations require that LIHTC-funded units be rental housing subject to a long-term regulatory agreement, and that projects be structured as tax credit partnerships that receive a competitive allocation of tax credits through TCAC's annual award process. Small Sites acquisition projects are not structured as tax credit partnerships and do not go through TCAC's competitive allocation process, and therefore cannot access LIHTC equity. See Cal. Code Regs., tit. 4, § 10325.

⁹ California Department of Housing and Community Development (HCD), Multifamily Housing Program (MHP): "MHP makes low-interest, long-term deferred-payment permanent loans for new construction,

local sources, meaning every dollar Berkeley allocates to Small Sites is a dollar that cannot be multiplied through the state and federal funding architecture that makes new affordable housing construction possible.¹⁰ The Mayor's proposed budget noted the possibility of receiving funding from Alameda County Measure W or from the state in the event that a state Affordable Housing Bond passes in November; however, these sources are relatively modest compared to the sources available for new affordable housing, making them highly competitive and uncertain as sources of funding for a Small Sites acquisition.¹¹

Finally, Berkeley Residents Already Have Strong Tenant Protections to Prevent Displacement and the City Funds Anti-Eviction Defense for \$800,000 Annually. In Berkeley, regardless of whether a property changes ownership, any tenant residing in a building built prior to 1980 receives full protection under the Rent Stabilization and Eviction for Just Cause Ordinance (BMC Chapter 13.76), meaning the rent level can only be increased above an allowable amount for specific reasons, and a person can only be evicted for just cause (10 specific reasons).¹² Most of Berkeley's approximately 29,000 rental units have eviction for just cause provisions, and more than 20,000 units are subject to regulated rents.¹³ Just cause eviction protections apply most broadly, including to units with regulated rents, units in new construction built after 1980, and units rented under federal subsidy programs such as Section 8.¹⁴ Voters further strengthened these protections in November 2024 with the passage of Measure BB, which among other things prohibits eviction for nonpayment of rent below one month's Fair Market Rent (established by federal Housing and Urban Development guidelines), prohibits eviction for failure to

rehabilitation, and preservation of permanent and transitional rental housing for lower-income households." <https://www.hcd.ca.gov/funding/mhp>. MHP loans require a 55-year regulatory agreement. HCD, Infill Infrastructure Grant Program: IIG provides grant funding for "infrastructure improvements for new infill housing in residential and/or mixed-use projects" tied to a qualifying infill development. <https://www.hcd.ca.gov/funding/iig>. Homekey+ provides funding exclusively for acquisition and conversion of existing structures to permanent supportive housing for people experiencing or at risk of homelessness. <https://www.hcd.ca.gov/funding/homekey>.

¹⁰ City of Berkeley Housing Trust Fund and Small Sites Program Guidelines (2022 ed.), Section II (Eligible Projects and Costs), <https://berkeleyca.gov/sites/default/files/2022-04/Housing-Trust-Fund-Guidelines.pdf>. Berkeley's Small Sites Program loan documents do not include LIHTC regulatory agreements or state-required deed restrictions, making projects ineligible for state and federal program layering.

¹¹ The state Affordable Housing Bond referenced is Assembly Bill 736 (Wicks) / Senate Bill 417 (Cabaldon), a proposed \$10 billion general obligation bond measure. Enterprise Community Partners, "2025 California Affordable Housing Pipeline" (March 4, 2025), <https://www.enterprisecommunity.org/learning-center/resources/2025-california-affordable-housing-pipeline>. Alameda County Measure W, the Real Property Transfer Tax for Homelessness Prevention and Housing, allocates funds on a competitive basis across all Alameda County jurisdictions.

¹² Berkeley Rent Stabilization and Eviction for Just Cause Ordinance, BMC Chapter 13.76.

https://berkeleyca.gov/sites/default/files/2022-01/Rent%20Stabilization%20Ordinance_Oct%202021_0.pdf

¹³ Berkeley Rent Board, Rent Control 101. <https://rentboard.berkeleyca.gov/rights-responsibilities/rent-control-101>

¹⁴ Berkeley Rent Board, Just Cause & Other Local Requirements. <https://rentboard.berkeleyca.gov/rights-responsibilities/evictions/just-cause-other-local-requirements>

sign a new fixed-term lease, and caps Annual General Adjustments at 5 percent.¹⁵ Beyond these structural protections, the City directly funds anti-eviction legal defense through the Eviction Defense Center and the East Bay Community Law Center, which provide free legal services to Berkeley residents on a broad range of housing matters including eviction defense, along with a fund for Rental Assistance.¹⁶ In the proposed budget before us, the Eviction Defense Center and East Bay Community Law Center will receive a combined total of \$1.6 million in the two-year budget. In addition, a total of \$200,000 is provided in the two-year budget for flexible funds to prevent eviction. We strongly support these targeted, strategic investments. While advocates of the Small Sites model have cited the risk of tenant displacement, Berkeley already has strong tenant protections to address displacement risks and contributes a significant amount annually to support tenants at risk of eviction. This makes it difficult to justify using additional scarce Housing Trust Fund dollars on the Small Sites program instead of using the same funds to build new permanently affordable housing units in Berkeley, leveraging a match rate of 4:1.

These proposed changes are recommended as a supplement to the Mayor's proposed budget changes. We thank the Mayor for the other priorities she proposes to fund to which we do not propose further changes.

¹⁵ Berkeley Rent Board, Just Cause & Other Local Requirements. <https://rentboard.berkeleyca.gov/rights-responsibilities/evictions/just-cause-other-local-requirements>

¹⁶ Eviction Defense Center, Our Services. <https://www.evictiondefensecenteroakland.org/services>

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