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Office of the City Manager

CONSENT CALENDAR
September 15, 2026

To: Honorable Mayor and Members of the City Council

From: Paul Buddenhagen, City Manager

Submitted by: Scott Gilman, Director, Health, Housing & Community Services

Subject: Shattuck Senior Homes Loan Modification Request

RECOMMENDATION
Adopt a Resolution approving the following actions to modify two existing Housing Trust Fund (HTF) loans for Shattuck Senior Homes, located at 2425 Shattuck Avenue, by:

1. Combining the outstanding principal balances of the two existing loans into one new City loan in the amount of $970,603 plus accrued interest.
2. Reducing the interest rate from 6% to 3% simple interest.
3. Extending the loan maturity date by 55 years to September 1, 2082.
4. Waiving the HTF Guidelines requirement to restrict 20% of units at 30% Area Median Income (AMI) and maintaining affordability requirements at 50% and 60% AMI.
5. Extending the Regulatory Agreement so that it is coterminous with the new loan maturity date of September 1, 2082.
6. Authorizing the City Manager or designee to execute all original or amended documents or agreements to effectuate these actions, including amendments to the existing loan agreements.

FISCAL IMPACTS OF RECOMMENDATION
In extending the two existing loans, the City is forgoing full repayment in the short term, collectively estimated at $2,582,214 ($970,603M in principal plus $1,611,611M in accrued interest as of July 31, 2026), to ensure continued affordability. By refinancing the existing loans, the City will be able to extend its affordability requirements without adding new funding. Satellite Affordable Housing Associates (SAHA) will continue to repay the City through residual receipts, when the project has positive cash flow.

CURRENT SITUATION AND ITS EFFECTS
SAHA requested modification of their existing City HTF loans for Shattuck Senior Homes that are nearing or have reached maturity. The property cannot repay the balloon obligations at maturity and reports limited reserves. No additional HTF funds were requested.

On July 2, 2026, the Housing Advisory Commission (HAC) supported SAHA's loan modification request with the following vote:

Action: M/S/C (Simon-Weisberg/Haycox) to recommend that the City Council approve modification of the City's existing Housing Trust Fund (HTF) loans for Shattuck Senior Homes, located at 2425 Shattuck Avenue, by:

1. Combining the outstanding principal balances of the two existing loans into one new City loan in the amount of $970,603;
2. Reducing the interest rate from 6% to 3% simple interest;
3. Extending the loan maturity date by 55 years to September 1, 2082;
4. Waiving the requirement to restrict 20% of units at 30% Area Median Income (AMI) and maintaining affordability requirements at 50% and 60% AMI; and
5. Extending the Regulatory Agreement so that it is coterminous with the new loan maturity date of September 1, 2082.

Vote: Ayes: Bell, Haycox, Shere, Simon-Weisberg, Twu, and Vaughn Scott. Noes: None. Abstain: None. Absent: Micael (excused) and Mirvish (excused).

Effective January 1, 2026, local agencies are required to satisfy noticing requirements for certain contracts for services that meet the criteria outlined in Government Code Section 3504.1 as amended by AB 339. This project does not meet the criteria in Government Code Section 3504.1 and is exempt from the noticing requirement.

BACKGROUND

The City of Berkeley's HTF program provides loans to build and preserve affordable housing. Older loans from the late 1990s and early 2000s - such as the Shattuck Senior Homes loans - have 30-year terms and 6% interest rates. Newer HTF loans carry 55-year terms and 3% interest rates to match current guidelines. City staff reviews loan changes based on financial need, long-term affordability, protection of City funds, and the property's ongoing upkeep.

Shattuck Senior Homes is a 26-unit affordable senior housing development owned by Shattuck Senior Homes Associates LP, with SAHA serving as the nonprofit sponsor (Owner). The property provides affordable housing for low-income seniors and remains an important housing resource in Berkeley.

The existing City loans are summarized below:

- 1996 HTF Loan: Original principal of $679,600; maturity date June 30, 2026. As of April 27, 2026, the outstanding balance totals $1,820,703, consisting of $679,600 in principal and $1,831,316 in accrued interest.
- 1997 HTF Loan: Original principal of $350,000; maturity date August 31, 2027. As of April 27, 2026, the outstanding balance totals $750,897, consisting of $291,003 in remaining principal and $459,894 in accrued interest.

The new loan would include the combined outstanding principal balance of $970,603, plus the previously accrued interest. No new interest will accrue on the interest portion of the loan. The loan will be due and payable in 2082, 55 years after the original expiration of the 1997 HTF loan. No additional City funding is requested. The proposed loan restructuring would preserve the City's security interest while allowing the property to continue operating as affordable senior housing.

SAHA is working to build the project's replacement reserves, in anticipation of over $400K in capital needs in the coming years. The project will need to address water intrusion repairs, roof replacement, exterior painting, security system upgrades, paving and walkway repairs, flooring replacement, water heater replacement, and accessibility improvements. These planned investments reflect the substantial capital needs of preserving a nearly 30-year-old affordable housing development.

SAHA also requested that the City maintain the project's existing affordability levels at 50% and 60% AMI, rather than applying current HTF Guidelines, which would require 20% of the units to be restricted for 30% AMI households. Staff supports maintaining the existing affordability structure. Shattuck Senior Homes is a small project with limited operating margins, and the current affordability mix provides flexibility to continue serving households at deeper income levels (using project-based or tenant vouchers) while reducing financial risk if rental subsidies are no longer available.

ENVIRONMENTAL SUSTAINABILITY AND CLIMATE IMPACTS

None.

RATIONALE FOR RECOMMENDATION

Staff support extending the loan term and aligning the Regulatory Agreement with the revised maturity date to support continued affordability while maintaining the City's investment in the project. Shattuck Senior Homes continues to provide needed affordable housing for seniors, and the City will gain 55 years of affordability without adding new City funding.

ALTERNATIVE ACTIONS CONSIDERED

SAHA is not in a position to repay its HTF loans for Shattuck Senior Homes. Requiring immediate repayment of the maturing loans could jeopardize property operations and result in a loss of long-term affordability and displacement of existing low-income seniors.

CONTACT PERSON

Lourdes Chang, Sr Community Development Project Coordinator, HHCS
(510) 981-5263

Attachments:
1: Resolution

RESOLUTION NO. ##,###-N.S.

APPROVING LOAN MODIFICATIONS FOR SHATTUCK SENIOR HOMES

WHEREAS, City Council established a Housing Trust Fund (HTF) program to assist in the development and expansion of housing affordable to low- and moderate-income persons who either work or reside within the City of Berkeley, and authorized the City Manager to implement the HTF program; and

WHEREAS, City Council adopted guidelines (HTF Guidelines) as revised on January 19, 2021, and authorized the HTF program in accordance with the Guidelines; and

WHEREAS, the City's older HTF loans, primarily executed between the late 1990s and early 2000s, typically have 30-year terms and 6% simple interest rates, while the current HTF Guidelines establish 55-year terms and 3% simple interest rate, and allow for City Manager approval of any deviations from those standard terms; and

WHEREAS, Satellite Affordable Housing Associates (Owner) requested modifications to the terms of their existing City loans for Shattuck Senior Homes (Property) in order to preserve long-term affordability and financial viability; and

WHEREAS, the Property, a 26-unit affordable housing development serving very low income seniors for the last 30 years, cannot repay the combined remaining principal balance of $970,603, plus accrued interest at the loan maturity date; and

WHEREAS, the Owner is committed to continuing to provide much needed affordable housing for seniors, and requiring immediate repayment of the maturing loans could jeopardize property operations and preservation of long-term affordability; and

WHEREAS, this contract is exempt from the noticing requirements set forth in Government Code Section 3504.1; and

WHEREAS, City staff support extending the loan term and aligning the Regulatory Agreement with the revised maturity date to support continued affordability while maintaining the City's investment in the project without adding additional City funding.

NOW THEREFORE, BE IT RESOLVED by the Council of the City of Berkeley that the City Manager is authorized to execute a contract with Satellite Affordable Housing Associates to refinance the existing HTF loans for Shattuck Senior Homes in an amount not to exceed $970,603 plus accrued interest for the term through September 1, 2082, with the following terms:

1. Combining the outstanding principal balances of the two existing loans into one new City loan in the amount of $970,603 plus accrued interest.
2. Reducing the interest rate from 6% to 3% simple interest.
3. Extending the loan maturity date to September 1, 2082.

4. Waiving the HTF Guidelines requirement to restrict 20% of units at 30% Area Median Income (AMI) and maintaining affordability requirements at 50% and 60% AMI.
5. Extending the Regulatory Agreement so that it is coterminous with the new loan maturity date of September 1, 2082.

BE IT FURTHER RESOLVED THAT the City Manager or designee is authorized to execute all original or amended documents, promissory notes, regulatory agreements, or other instruments necessary to effectuate these loan modifications.