



Office of the City Manager

INFORMATION CALENDAR

October 13, 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: Condominium Conversion Program Annual Report for Fiscal Year 2026

INTRODUCTION

The Condominium Conversion Ordinance (CCO) (Berkeley Municipal Code Chapter 21.28) regulates property owners converting rental units to ownership units, including payment of a Condo Affordable Housing Fee (CAHF).

This report summarizes program activity for Fiscal Year 2026 (FY 2026), including new applications, converted units, and fee revenue.

CURRENT SITUATION AND ITS EFFECTS

The Condominium Conversion Program advances the Strategic Plan goal to create affordable housing and housing support service for our most vulnerable community members.

Fee revenue is deposited into the City's Housing Trust Fund (HTF) program to mitigate the loss of affordable housing that results from the conversion of rental units to condominiums. Table 1 provides a summary of submitted and approved applications for FY 2026 (July 1, 2025 - June 30, 2026). Table 2 provides a summary of CAHF revenue for FY 2026.

The CAHF requirement offers a choice between a standard nexus-based fee, calculated using a rent-versus-ownership cost calculation, and an alternative "Rental Limitation" fee formula. The Rental Limitation fee is available to applicants who agree to restrict future rent increases for sitting tenants at the time of conversion to no more than 65% of the regional Consumer Price Index (CPI) increase. This fee is capped at 8% of the sale price, or 4% for two-unit properties.

Applicants that select the Rental Limitation method have two options to pay the fee: 1) using the property's appraised value at the time of application to receive a 25% fee reduction, or 2) deferring the fee until the unit is sold. Fee collection varies based on the applicant's decision to pay at the time of application or defer to when units are refinanced or sold. This is also influenced by market factors including financing and interest rates.

In FY 2026, one property with three units completed a condo conversion process. All three units opted into the Rental Limitation fee formula. For their fee structures, two units elected to pay the upfront rental limitation fee, and one unit elected to pay the rental limitation fee at the time of sale. No units opted to use the nexus-based fee option. Additionally, two applications remain pending from FY 2026, totaling eight units across both properties. Applicants have not yet declared their preferred fee options.

Table 1: Condominium Conversion Applications Summary – FY 2026

	Applications	Units	Number of Units Paid Fee Upfront	Number of Units Deferred Fee to Refinance or Sale	Number of Total Units: Rental Limitation Fee	Number of Total Units: Nexus Fee
Completed	1	3	2	1	3	0
Pending	2	8	TBD	TBD	TBD	TBD

Table 2: Revenue Received from Affordable Housing Mitigation Fee – FY 2026

Total CAHF Revenue Received	Number of Units Paid at Time of Application Approval	Number of Units Paid at Refinance	Number of Units Paid at Time of Sale
\$102,900	2	0	0

BACKGROUND

Condominium conversion is the process of subdividing a multi-unit property into separately owned housing units with individual mortgages. Subdivisions are regulated under the California Subdivision Map Act and Subdivided Lands Act. State law also allows local governments to impose additional requirements. In Berkeley, these additional requirements are in the CCO (BMC Chapter 21.28) and include an annual limit on the number of approved units, compliance with local laws, payment of a CAHF, and various tenant protections. The City's current ordinance has been in place since 2009.

In the past ten years (since Fiscal Year 2016), the CCO has generated \$2,647,870 in CAHF revenue from 76 converted units.

ENVIRONMENTAL SUSTAINABILITY AND CLIMATE IMPACTS

There are no identifiable environmental effects or opportunities associated with the subject of this report.

POSSIBLE FUTURE ACTION

None.

FISCAL IMPACTS OF POSSIBLE FUTURE ACTION

None.

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