



Housing Advisory Commission

CONSENT CALENDAR  
December 2, 2025

To: Honorable Mayor and Members of the City Council  
From: Housing Advisory Commission  
Submitted by: Sarah Bell, Vice Chairperson, Housing Advisory Commission  
Subject: Loan Modification Requests for Housing Trust Fund Projects at 1139 Hearst Avenue, 3253 Adeline Street, and 1471 Addison Street and Update Interest Rates and Accrued Interest on Housing Trust Fund Loans

RECOMMENDATION

Adopt a Resolution approving the following actions for Housing Trust Fund (HTF) loans and direct staff to examine the HTF administrative guidelines:

1. Extend Resources for Community Development's existing HTF loan for 1139 Hearst Avenue (Hearst Street Apartments) for five years and reduce the interest rate for the remaining term to 3% simple interest. The principal amount of \$916,000 will remain the same.
2. Combine South Berkeley Neighborhood Development Corporation's three HTF loans for 3253 Adeline Street (Lorin Station) into a new loan in the amount of \$1,230,117, with 0% interest and a new loan maturity date of May 7, 2079, to align with their 2021 emergency rehab loan. The Regulatory Agreement will have a term of May 7, 2079, to be coterminous with the loan maturity date.
3. Refinance existing HTF loan for 1471 Addison Street (Addison Court Housing Cooperative) into a new loan with a 55-year term and 3% simple interest. The principal amount of \$150,000 will remain the same. The Regulatory Agreement will have a term of November 1, 2080, to be coterminous with the loan maturity date.
4. Authorize the City Manager or designee to execute all documents required to effectuate these actions, including amendments to existing loan agreements.
5. Forgive the accrued interest as of the effective date of the new and/or amended loan for each new loan for Hearst Street Apartments, Lorin Station, and Addison Court Housing Cooperative.
6. Direct staff to examine the HTF administrative guidelines to update the standards for interest rates and accrued interest for future HTF loans.

SUMMARY

The Housing Advisory Commission recommends modifying three Housing Trust Fund loans by reducing interest rates to 0-3%, extending terms to 55 years, and forgiving

\$2.8 million in accrued interest to prevent the loss of 57 affordable housing units. The modifications align unsustainable 1990s-era loan terms with current guidelines, establishing a framework for managing similar situations as approximately half of the HTF portfolio's loans come due in the next 2-5 years.

FISCAL IMPACTS OF RECOMMENDATION

Longer loan repayment terms, reduced interest rates, and forgiven interest for each of these loans, as summarized in the following table:

Property	Original Principal	Interest Accrued	Original Interest Rate	Original Loan Maturation Date	Updated Principal	Updated Interest Accrued	Revised Interest Rate	Revised Loan Maturation Date
<b>Hearst Street Apartments</b>	\$916,000	\$1,638,601	6% simple interest	August 30, 2024	\$916,000 (same)	0	3% simple interest	August 30, 2029
<b>Lorin Station</b>	\$1,229,742 across three separate loans	\$1,020,064	6% simple interest	Various dates**	\$1,230,117 (combined)	0	0% simple interest	May 7, 2079
<b>Addison Court Housing Cooperative</b>	\$150,000	\$216,657	6% simple interest	October 31, 2026	\$150,000 (same)	0	3% simple interest	November 1, 2080

Note that these loans are repaid via residual receipts for cashflow-constrained affordable housing providers, so the actual amount that each property will ultimately repay the city is likely to be unaffected by the forgiveness of accrued interest.

Staff time would be required to update guidance on interest rates and accrued interest for HTF loans.

CURRENT SITUATION AND ITS EFFECTS.

Three Housing Trust Fund properties face financial distress due to unsustainable loan terms from the 1990s-2000s. Two loans are past due, and all three properties cannot support 6% interest rates with their constrained cash flow.

Problem: Without modifications, these properties risk insolvency, threatening 57 affordable housing units serving extremely low to low-income households.

**Solution:** Modify loan terms to align with current HTF Guidelines (3% interest, 55-year terms) and consolidate Lorin Station's three loans at 0% interest consistent with original Council intent.

**Effects:** Modifications will prevent displacement, preserve affordable housing stock, and establish a framework for similar situations as more HTF loans mature.

At its September 4, 2025, meeting, the Housing Advisory Commission (HAC) approved the Loan Modification Requests for Housing Trust Fund Projects with the following vote:

**Action:** M/S/C (Potter/ Simon-Weisberg) to recommend City Council to:

1. Extend Resources for Community Development's existing HTF loan for Hearst Street Apartments for five years and reduce the interest rate for the remaining term to 3% simple interest. The principal amount of \$916,000 will remain the same.
2. Combine South Berkeley Neighborhood Development Corporation's three HTF loans for Lorin Station into a new loan in the amount of \$1,230,117, with 0% interest and a new loan maturity date of May 7, 2079, to align with their 2021 emergency rehab loan. The Regulatory Agreement will have a term of May 7, 2079, to be coterminous with the loan maturity date.
3. Refinance Addison Court Housing Cooperative's existing HTF loan into a new loan with a 55-year term and 3% simple interest. The principal amount of \$150,000 will remain the same. The Regulatory Agreement will have a term of November 1, 2080, to be coterminous with the loan maturity date.
4. Authorize the City Manager or designee to execute all documents required to effectuate these actions, including amendments to existing loan agreements.
5. Forgive the accrued interest as of the effective date of the new and/or amended loan for each new loan for Hearst Street Apartments, Lorin Station, and Addison Court Housing Cooperative.
6. Direct staff to examine the HTF administrative guidelines to update the standards for interest rates and accrued interest for future HTF loans.

**Vote:** Ayes: Bell, Haycox, Micael, Potter, Shere, Simon-Weisberg, and Twu. Noes: None. Abstain: None. Absent: Scott.

### BACKGROUND

The City's HTF program has provided loans for affordable housing development since the 1990s. Older HTF loans from the late 1990s and early 2000s have 30-year terms and 6% interest rates, reflecting the high prime rates (8.25%-9.0%) of that era. Current HTF Guidelines establish 55-year terms and 3% interest rates for new loans.

The City's HTF portfolio currently consists of 60 projects with about 1700 affordable housing units. Approximately half of these properties have loans coming due in the next

2-5 years, creating portfolio management challenges as many older loan structures are no longer sustainable under current economic conditions.

Three HTF projects requested loan modifications:

- Hearst Street Apartments: The 1994 loan of \$916,000, payable via residual receipts, at 6% interest matured August 30, 2024, with total debt of \$2.55M that RCD cannot repay.
- Lorin Station: Three City loans (\$177k in 1989, \$322k in 1991, and \$730k in 2021) were originally intended as grants but converted to loans to meet tax credit requirements. Accrued interest now exceeds \$1M. Payable via residual receipts.
- Addison Court Housing Cooperative: The 1996 loan of \$200k (reduced to \$150k in 1998), payable via residual receipts, at 6% interest matures October 31, 2026, with limited cash flow for repayment.

#### ENVIRONMENTAL SUSTAINABILITY AND CLIMATE IMPACTS

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

#### RATIONALE FOR RECOMMENDATION

The recommendations primarily clarify and extend existing HTF policies by:

- Aligning older loan terms with current HTF Guidelines that establish 3% interest rates and 55-year terms for new loans
- Maintaining the core HTF program structure while updating outdated terms from loans executed in the 1990s-2000s when prime rates were 8.25%-9.0%
- Preserving affordability requirements and regulatory agreements that continue the City's investment in long-term affordable housing

The existing loan structure is unsustainable for all three properties, with two loans already past due and all three properties operating with constrained cash flow that cannot support the original 6% interest rates and shorter terms. Without modifications:

- Hearst Street Apartments faces a \$2.55M debt (principal plus interest) that cannot be repaid
- Lorin Station has over \$1M in accrued interest that renders the project financially unviable
- Addison Court Housing Cooperative cannot meet loan obligations while maintaining necessary reserves

The proposed modifications bring these older loans into alignment with contemporary standards, ensuring equitable treatment across the HTF portfolio.

Property-Specific Justifications:

Hearst Street Apartments

- Extends existing policy with 5-year extension and 3% rate reduction
- Property serves households at deeper affordability than required, with 27 of 31 households below 40% AMI
- RCD will use extension period to improve rental revenue procedures and evaluate capital improvement needs

Lorin Station

- Clarifies original intent by consolidating loans consistent with the original Council intent to provide initial funding as a forgivable loan or grant to facilitate development
- Property exceeds affordability requirements with 9 of 10 units occupied by households below 40% AMI, including 6 households below 25% AMI
- 0% interest rate reflects the fact that grants were converted to loans only to meet tax credit program requirements

Addison Court Housing Cooperative

- Extends existing policy with 55-year term and 3% rate consistent with current guidelines
- ACHC has been consistent with making annual payments and submitted a comprehensive business plan for capital improvements

All modifications maintain:

- Residual receipts payment structures ensuring payments only when properties generate surplus cash
- Regulatory agreements preserving long-term affordability
- City's ability to recover funds if properties are sold or refinanced

Portfolio Management Benefits: Approximately half of HTF properties have loans coming due in the next 2-5 years. These modifications establish precedent for systematic portfolio management that balances financial sustainability with affordability preservation, enabling the City to proactively address similar situations across its 60-project, 1700-unit HTF portfolio.

ALTERNATIVE ACTIONS CONSIDERED

One alternative that the commission considered was not to forgive the accrued interest but to let it stand, repayable but not accruing additional interest. No advantage was seen to retaining the accrued interest on these loans, given that it was unlikely to be paid back within the loan term, and no other purpose was seen for leaving the accrued interest outstanding.

CITY MANAGER

See companion report.

CONTACT PERSON

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Attachments:

1: Resolution

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

APPROVING LOAN MODIFICATIONS FOR THREE EXISTING HOUSING TRUST FUND PROJECTS: HEARST STREET APARTMENTS, LORIN STATION, AND ADDISON COURT HOUSING COOPERATIVE

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, the owners of three existing HTF projects—Hearst Street Apartments, Lorin Station, and Addison Court Housing Cooperative—requested modifications to the terms of their City loans in order to preserve long-term affordability and financial viability; and

WHEREAS, Hearst Street Apartments, a 32-unit multifamily development located at 1133–39 Hearst Street and owned by Resources for Community Development (RCD), has reached loan maturity, with \$916,000 in principal and approximately \$1.6M in accrued interest as of the writing of this report; and

WHEREAS, staff supports extending the Hearst Street Apartments loan term by five (5) years to August 30, 2029, and reducing the interest rate to 3% simple interest, consistent with current HTF Guidelines, to allow RCD time to improve project cash flow and plan for future capital improvements; and

WHEREAS, Lorin Station, a 14-unit mixed-use affordable housing development located at 3253–3269 Adeline Street and owned by South Berkeley Neighborhood Development Corporation (SBNDC), received three City HTF loans in 1989, 1991, and 2021 totaling approximately \$1.23 million; and

WHEREAS, the 1989 and 1991 loans have reached or are approaching maturity, and SBNDC lacks sufficient cash flow to repay them; staff recommends combining the three loans into a single residual receipts loan of \$1,230,117 with 0% simple interest and a new term of 55 years, coterminous with the 2021 Emergency Rehabilitation Loan; and

WHEREAS, Addison Court Housing Cooperative (ACHC), a 10-unit resident-managed cooperative located at 1135–1139 Addison Street, assumed a \$150,000 HTF loan in 1996 that accrues 6% simple interest and matures on October 31, 2026; and

WHEREAS, ACHC has requested, and staff supports, refinancing the existing loan with a new 55-year term and a reduced 3% simple interest rate to ensure continued financial stability and the ability to complete planned capital improvements; and

WHEREAS, the Housing Advisory Commission, at its September 4, 2025, meeting, voted unanimously to recommend approval of the three loan modification requests, and forgiveness of accrued interest for each loan as of the effective date of the new and/or amended loan; and

WHEREAS, the Housing Advisory Commission recommends updating the HTF Guidelines to allow for accrued interest forgiveness in all HTF loan modifications; and

WHEREAS, approval of these loan modifications will further the City's goals of maintaining and preserving affordable housing stock, supporting community-based ownership, and preventing displacement of lower-income Berkeley residents.

NOW THEREFORE, BE IT RESOLVED by the Council of the City of Berkeley that the City Council hereby approves the modification of three existing HTF loans as follows:

1. Hearst Street Apartments – Authorize the City Manager or designee to extend the existing HTF loan for five (5) years to August 30, 2029, and reduce the interest rate for the remaining term to 3% simple interest.
2. Lorin Station – Authorize the City Manager or designee to combine the South Berkeley Neighborhood Development Corporation's three HTF loans into one new residual receipts loan in the amount of \$1,230,117, with 0% simple interest and a 55-year term coterminous with the 2021 Emergency Rehabilitation Loan.
3. Addison Court Housing Cooperative – Authorize the City Manager or designee to refinance the existing HTF loan into a new 55-year loan term at 3% simple interest.

BE IT FURTHER RESOLVED that the amount of interest accrued as of the effective date of the new loans will be forgiven by the City of Berkeley for each loan and only the principal from the original loans will be included as part of the not-to-exceed amount for the new loans.

BE IT FURTHER RESOLVED that the City Manager or designee will review and make recommendations on the Housing Trust Fund Guidelines terms for interest rates and accrued interest.

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.