



Office of the City Manager

CONSENT CALENDAR
October 12, 2021

To: Honorable Mayor and Members of the City Council
From: Dee Williams-Ridley, City Manager
Submitted by: Lisa Warhuus, Director, Health, Housing & Community Services
Subject: Transfer Tax Refund for 1685 Solano Avenue

RECOMMENDATION

Adopt a resolution authorizing the City Manager to grant a transfer tax refund of an estimated \$121,250 to the Bay Area Community Land Trust (BACLT) to support the acquisition and renovation of 1685 Solano Avenue and BACLT's operation of the property as affordable housing.

FISCAL IMPACTS OF RECOMMENDATION

At the time of property acquisition, BACLT will pay the property tax fee to the City. The City's General Fund would forego an estimated \$121,250 of revenue, and the City would issue a reimbursement check to BACLT equal to the amount of transfer taxes paid to the City.

CURRENT SITUATION AND ITS EFFECTS

Providing a transfer tax refund for 1685 Solano Avenue is a Strategic Plan Priority Project that will advance the City's goal to create affordable housing.

BACLT submitted a letter requesting a transfer tax refund related to their pending acquisition of 1685 Solano Avenue, a partially occupied residential building in North Berkeley. BACLT is in contract to purchase the property, and requested a Small Sites Program (SSP) loan from the City to support acquisition and renovation.

The SSP requires that each project's renovation budget and replacement reserves be sufficient to address any immediate and longer-term renovation needs that have been identified by a physical needs assessment. If the City refunds Solano's transfer taxes, BACLT will use those funds to help meet that SSP requirement. BACLT also plans to retain a portion of the project cash flow (that would otherwise go towards repayment of the City loan) to build the replacement reserves in anticipation of the projected capital needs. With the transfer tax refund supplementing the reserves, BACLT would be better positioned to start repaying the City's loan on a faster timeline.

BACKGROUND

1685 Solano Avenue consists of thirteen residential units, four of which are occupied. The current owner is in the process of renovating the property, and the remaining tenants are at risk of Ellis Act Evictions. Using Small Sites Program funds, BACLT plans to complete the renovations, and restrict the vacant units to households earning up to 80% of the area median income. The occupied units would become restricted upon unit turnover. With construction costs continuing to increase, the project would benefit from a reduction in the amount of transfer taxes owed. The funds would be better used to support renovation needs, or for reserves that can help support the project's operations in the long term.

City Council has approved transfer tax waivers on previous Housing Trust Fund and Small Sites Program projects. In 2014, City Council approved a transfer tax refund to the David Brower Center and Resources for Community Development related to the Oxford Plaza development when a transfer to an RCD-affiliated entity for refinancing triggered the transfer tax. In 2019, City Council approved a transfer tax waiver for BACLT's first Small Sites Project, 1638 Stuart Street.

ENVIRONMENTAL SUSTAINABILITY AND CLIMATE IMPACTS

The proposed renovation will include the addition of energy efficient and water efficient fixtures.

RATIONALE FOR RECOMMENDATION

The allocation of this funding will help in the preservation of thirteen units of affordable housing in the City of Berkeley.

ALTERNATIVE ACTIONS CONSIDERED

No alternative actions considered.

CONTACT PERSON

Jenny Wyant, Community Development Project Coordinator, HHCS, 510-981-5228

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

AUTHORIZING AN ESTIMATED \$121,500 TRANSFER TAX REFUND TO BAY AREA COMMUNITY LAND TRUST TO SUPPORT THE RENOVATION AND OPERATION OF 1685 SOLANO AVENUE

WHEREAS, Bay Area Community Land Trust (BACLT) is in contract to purchase 1685 Solano Avenue and estimates \$121,250 in City transfer taxes; and

WHEREAS, BACLT intends to acquire the site and operate it as affordable housing with a cooperative structure; and

WHEREAS, BACLT requested a Small Sites Program (SSP) loan to support the acquisition and renovation of the project; and

WHEREAS, the SSP requires projects to provide renovation and replacement reserve funds to address immediate and longer-term capital needs; and

WHEREAS, a transfer tax refund would provide additional funding for the renovation and the capitalized replacement reserve.

NOW THEREFORE, BE IT RESOLVED by the Council of the City of Berkeley that the City Council authorizes the City Manager or her designee to grant an estimated \$121,250 to Bay Area Community Land Trust in transfer tax revenue to support the acquisition, renovation and operation of 1685 Solano Avenue.

