



# AGENDA REPORT

**TO:** Edward D. Reiskin  
City Administrator

**FROM:** Shola Olatoye  
Director, Housing and  
Community Development

**SUBJECT:** State of California Permanent Local  
Housing Allocation Grant Program

**DATE:** June 26, 2020

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City Administrator Approval

Date: July 9, 2020

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## **RECOMMENDATION**

**Staff Recommends That The City Council Adopt A Resolution:**

- 1) Authorizing The City Administrator Or His Or Her Designee To Negotiate And Enter Into A Legally Binding Agreement With Alameda County To Participate In The Affordable And Supportive Housing Operating Subsidy Program For People Experiencing Homelessness That Delegates To Alameda County The Authority To: (a) Apply For State Of California Permanent Local Housing Allocation Funds For A Five-Year Period; (b) Accept Said Funds On Behalf Of The City Of Oakland; And (c) Administer The Affordable And Supportive Housing Operating Subsidy Program For People Experiencing Homelessness On Behalf Of The City On The Condition That All Of Oakland's Allocation Be Used For Housing In The City Of Oakland; And**
- 2) Adopting The Five-Year Plan For The Affordable And Supportive Housing Operating Subsidy Program For People Experiencing Homelessness For The Permanent Local Housing Allocation Program.**

## **EXECUTIVE SUMMARY**

Adoption of the proposed resolution will enable the City of Oakland to join Alameda County in creating the Affordable and Supportive Housing Operating Subsidy Program (Program), a regional program to provide operating subsidies in affordable housing for the specific purpose of increasing affordable housing opportunities for people who are experiencing homelessness in Oakland. It would delegate to Alameda County the application for funding from the State of California's Permanent Local Housing Allocation Grant Program (PLHA) administered by the California Department of Housing and Community Development, and if awarded, the administration of said funds on behalf of the City of Oakland.

The PLHA program was created by the State of California pursuant to the Building Homes and Jobs Act (Senate Bill 2, 2017) which established a \$75 recording fee on real estate documents to support increasing the supply of affordable homes. It is an ongoing source of funding available to local governments. Oakland's first year allocation is \$3,704,475, and the first five years' worth of funding is projected to be \$22,226,850.

City Council  
July 14, 2020

As identified in Oakland's 2019 Permanent Access To Housing (PATH) Framework, there is a great need for ongoing operating subsidies in deeply affordable and permanent supportive housing. Section 8 vouchers administered through the Oakland Housing Authority (OHA) are a key resource to meet this need, but the availability of these vouchers is not adequate to meet the full need. As an ongoing revenue stream, the PHLA program is an ideal source for this type of use since the subsidies are provided annually for a period of 15 years and ensure project feasibility.

Staff is recommending applying for these funds as part of a countywide application. The City will have access to its full allocation; no Oakland funds could be spent outside of the City. Partnering with Alameda County enhances the City's capacity to apply for the funds, design the program, and administer the funds once awarded.

### **BACKGROUND / LEGISLATIVE HISTORY**

In 2017, Governor Brown signed a 15-bill housing package aimed at addressing the state's housing shortage and high housing costs. Specifically, it included the Building Homes and Jobs Act (Senate Bill 2, 2017), which established a \$75 recording fee on real estate documents to increase the supply of affordable homes in California. The revenue from Senate Bill (SB) 2 will vary year to year dependent upon real estate transaction fluctuations, but it is designed to serve as a permanent source of funding.

On April 27, 2020, the State of California Department of Housing and Community Development (CA-HCD) issued a Notice of Funding Availability (NOFA) for the PLHA Grant Program. PLHA grant applications are due on July 27, 2020.

The purpose of the PLHA Program is to provide an ongoing source of funding for a variety of uses, including assisting persons experiencing or at-risk of homelessness, facilitating housing affordability, particularly for lower- and moderate-income households, and promoting projects and programs to meet the local government's unmet share of regional housing needs allocation.

### **ANALYSIS AND POLICY ALTERNATIVES**

The PLHA program was created pursuant to the Building Homes and Jobs Act (SB 2, 2017) which established a \$75 recording fee on real estate documents to increase the supply of affordable homes. PHLA provides both formula grants and competitive grants. The City of Oakland is eligible for the grant based on the formula prescribed under federal law for the Community Development Block Grant. The PHLA program provides a permanent, ongoing source of funding; Oakland's first year allocation is \$3,704,475, and the first five years' worth of funding is projected to be \$22,226,850. Staff is proposing to use these funds for an operating subsidy program that will increase the number of deeply affordable and permanent supportive housing units serving people experiencing homelessness. The selection of residents for these units may be identified through the Coordinated Entry System and preference will be given to people who are from Oakland.

On a single night in January 2019, more than 4,000 people were experiencing homelessness in Oakland. Nearly four out of five (seventy-nine percent (79%)) of the people experiencing homelessness in Oakland are unsheltered and live outdoors or in tents or vehicles, often along the city's streets and in parks. These numbers represent an unprecedented forty-seven percent (47%) increase in total homelessness in Oakland, and a sixty-three percent (63%) increase in unsheltered homelessness since 2017. Over seventy percent (70%) of those who are homeless are African American, while African Americans comprise only twenty-four percent (24%) of the City's population.

According to the City's 2019 PATH Framework, there is tremendous need for deep rental subsidies for housing serving people experiencing homelessness. The Framework identifies a need for 2,000 units of deeply affordable housing and 3,000 units of permanent supportive housing over a five-year period. Housing with rents affordable to those with extremely low incomes or no income cannot cover the cost to operate rental housing without some form of subsidy. Section 8 vouchers administered through the OHA are a key resource to meet this need, but the availability of these vouchers is not adequate to meet the need. As an ongoing revenue stream, the PHLA program is an ideal source since the rental subsidies are provided annually to housing developments for a period of 15 years, ensuring project feasibility while providing long-term affordability for people who are homeless.

Based on initial calculations, Oakland's five-year PHLA allocation to the Program will generate approximately 100 additional units of housing serving people experiencing homelessness; units that will provide this level of affordability for at least fifteen years. This resource supplements production fueled by OHA vouchers and the State's No Place Like Home program (which also provides operating subsidies). Due to the newness of the PHLA source of revenue, the funds will be capitalized up front to cover the full 15 years of subsidy needed. The program could transition to making annual, year to year appropriations should the source demonstrate prolonged reliability increasing the upfront number of units per year. Further, the creation of the Program establishes the platform for this critical activity and as additional sources become available, they can easily be allocated to the Program.

The PHLA program requires all applicants to submit a Five-Year Plan (Plan) which is authorized and adopted by resolution by the applicants. The Plan elements have been established by the PLHA Program Guidelines and call for a description of the manner in which allocated funds will be used for activities eligible under the PLHA statute and guidelines. The Plan must also describe the number of households to be served, the income levels, and an implementation plan and schedule. The Program Five-Year Plan is attached as **Attachment A**.

Staff is proposing that the City apply for these funds as part of a countywide application. Partnering with Alameda County enhances the City's capacity to apply for the funds, design the program, and administer the funds once awarded. Standing up and administering an operating subsidy program is a complex and time-consuming effort which the City does not currently have the staffing capacity to do. The City would need to delay applying until next year in order to build up the internal capacity to apply for and administer this program.

Additionally, the Alameda County Health Care Services Agency currently operates an operating subsidy program for persons in need of supportive housing using County funds; this experience positions them to successfully manage the administration functions of the Program.

The City will have access to its full PLHA allocation, and no Oakland funds will be spent outside of Oakland. The legally binding agreement between the City and the County will provide for appropriate accountability, oversight, and controls to ensure City funds are properly deployed for the intended purpose. These measures include: 1) City is the exclusive decision-maker in selecting projects, 2) City will be a party to all subsidy contracts with developers, 3) County will provide the City with periodic reports that include financial accounting, reporting on subsidized units, and reporting on the properties; and 4) County will be required to provide the City with all reporting to CA-HCD, including any required audits.

In addition, collaboration with Alameda County on this effort furthers ongoing coordination activities underway to bring County supportive services funding to Oakland projects serving homeless people with service needs.

The PHLA is a unique opportunity to gain access to an ongoing source of funding. While the amount available will fluctuate with the economy, it is imperative to bring all possible resources into the City's toolkit in addressing housing affordability for Oakland's unsheltered population.

### **FISCAL IMPACT**

Approval of the proposed resolution will authorize the City to delegate to the County the preparation of an application for funds allocated by the State for the City, and if the funds are awarded, then the County will deploy the funds in the form of operating subsidies which will create housing opportunities for people experiencing homelessness in Oakland. The first year of funding is \$3,704,475 and based on annual allocations is expected to total \$22,226,850 over five years. The funding will provide stable and secure deeply affordable housing to homeless people for at least a fifteen-year period.

### **PUBLIC OUTREACH / INTEREST**

The PATH Framework, which identifies a significant need for rental subsidies, was presented to the Life Enrichment Committee and City Council in December 2019, during which public comments were received.

The housing units funded with PLHA resources may utilize the Coordinated Entry System which people experiencing homelessness in Oakland can access by either calling 211, walking into one of the City's Housing Resource Centers such as the Henry Robinson Resource Center or the East Oakland Community Project, or through a street outreach team assessment.

### **COORDINATION**

This report and resolution have been reviewed by the Office of the City Attorney and the Budget Bureau.

### **SUSTAINABLE OPPORTUNITIES**

***Economic:*** The PHLA funds will be used to create stable, affordable housing for people with extremely low incomes or no income and as such will promote economic security for these residents and their communities.

***Environmental:*** The provision of housing for homeless persons is intended to address the environmental degradation caused by homeless families and individuals precariously housed or living on the streets.

***Race and Equity:*** These funds will be targeted to people experiencing homelessness, the most vulnerable and at-risk populations in this City, and will facilitate the City's efforts to provide for the most essential and basic human need: stable and affordable housing. Over seventy percent (70%) of those who are homeless are African American, while African Americans comprise only twenty-four percent (24%) of the City's population.

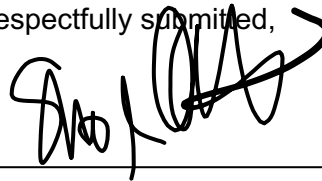
**ACTION REQUESTED OF THE CITY COUNCIL**

Staff Recommends That The City Council Adopt A Resolution:

- 1) Authorizing The City Administrator Or His Or Her Designee To Negotiate And Enter Into A Legally Binding Agreement With Alameda County To Participate In The Affordable And Supportive Housing Operating Subsidy Program For People Experiencing Homelessness That Delegates To Alameda County The Authority To: (a) Apply For State of California Permanent Local Housing Allocation Funds For A Five-Year Period; (b) Accept Said Funds On Behalf of The City Of Oakland; And (c) Administer The Affordable And Supportive Housing Operating Subsidy Program For People Experiencing Homelessness On Behalf Of The City On The Condition That All Of Oakland's Allocation Be Used For Housing In The City Of Oakland; And
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For questions regarding this report, please contact Maryann Leshin, Deputy Director, HCD, at 510-238-6225.

Respectfully submitted,



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SHOLA OLATOYE  
Director, Housing and Community Development  
Department

Prepared by:  
Maryann Leshin, Deputy Director, HCD

Attachments (1):

A – Program Five Year Plan