



AGENDA REPORT

TO: Edward D. Reiskin
City Administrator

FROM: Shola Olatoye
Director, Housing and
Community Development

SUBJECT: State of California Local Housing
Trust Fund Grant Program

DATE: June 26, 2020

City Administrator Approval

Date: July 8, 2020

RECOMMENDATION

Staff Recommends That The City Council Adopt A Resolution Authorizing The City Administrator Or His Or Her Designee To Apply For, Accept, And Appropriate Up To \$5 Million In Funds From The California Department Of Housing And Community Development Under The Local Housing Trust Fund Program And Allocate Up To \$5 Million For Affordable Housing Preservation And Production Programs.

EXECUTIVE SUMMARY

Adoption of the proposed resolution will allow the City Administrator or his or her designee to apply for, accept, and appropriate up to \$5 million in funds from the State of California's Local Housing Trust Fund Grant Program (LHTF). The LHTF Program was created pursuant to Proposition 1 (2018), and its principal goal is the expansion of funding for housing through supporting existing local housing trust funds. The City of Oakland established a local housing trust fund, the *Affordable Housing Trust Fund*, pursuant to Oakland Municipal Code (O.M.C) Section 15.62, which is eligible for LHTF Program funding.

Should funds be awarded, they must be matched dollar-for-dollar by existing City affordable housing funds and would be used to fund affordable housing preservation and production programs, increasing the total number of affordable housing units in the City of Oakland.

BACKGROUND / LEGISLATIVE HISTORY

Oakland is in the midst of a housing crisis that is perpetuating rising costs, increased rent burden, displacement, and widespread demographic change. At the root of this crisis is the limited availability of housing in Oakland, specifically housing available and affordable to moderate- and low-income renters. Since the burst of the housing bubble and the ensuing economic recession in 2008, housing demand has far outstripped production. While the number of jobs in the Bay Areas has increased, housing production has not matched the same pace.

Oakland's limited housing stock, coupled with the influx of higher-income residents, has caused the price of housing to skyrocket, adversely impacting many residents. As of 2016, forty-eight percent (48%) of Oakland renters are rent burdened – meaning that more than thirty percent

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(30%) of their household income is spent on rent.¹ Oakland's homeless population has increased forty-seven (47%) percent in the past two years, jumping from 2,761 in 2017 to 4,071 in 2019.² As Oakland's overall population has continued to grow, the City's African American population has steadily decreased from 140,139 in 2000 to 101,482 in 2017.^{3 4} These trends underscore the importance of exploring opportunities to generate more housing stock, and most specifically, those affordable to residents with the lowest incomes.

On April 30, 2020, the State of California, Department of Housing and Community Development (HCD) issued a Notice of Funding Availability (NOFA) for the LHTF Grant Program. This Program is funded by Proposition 1, the Veterans and Affordable Housing Bond Act of 2018 (Proposition 1), as described in Health and Safety Code Section 50842.2 et seq. Approved by voters in 2018, Proposition 1 authorized \$4 billion in state funding for housing programs, including \$300 million for the LHTF Program. The 2020 NOFA includes authorizing \$57 million in funding for the LHTF Program to provide matching grants to local housing trust funds established by entities, including cities.

The purpose of the LHTF Program is to provide one-time grant funding to regions and jurisdictions for making loans to sponsoring entities that develop, own, lend, or invest in affordable housing and create pilot programs to demonstrate innovative, cost-saving approaches to creating or preserving affordable housing.

LHTF grant applications are due on August 3, 2020, with awards announced in October 2020. If awarded, the City of Oakland will have until 2025 to expend these funds.

ANALYSIS AND POLICY ALTERNATIVES

The LHTF Program provides matching grants to eligible applicants that have a local housing trust fund. In 2002, Oakland established the Affordable Housing Trust Fund (AHTF) pursuant to O.M.C. Section 15.62. The AHTF receives its funding from ongoing revenue streams including the Jobs Housing Impact Fee, the Affordable Housing Impact Fee, and "boomerang" funds. To apply for LHTF funds, the City must have matching funds on deposit, and said matching funds must be utilized on a dollar-for-dollar basis for the same eligible projects for which LHTF program funds are used. The maximum application request is \$5 million.

The Housing and Community Development Department (HCD) seeks to use LHTF funds to support acquisition and rehabilitation, as well as new construction of affordable housing through its various NOFA programs and match these funds with either or both Measure KK Bond funds remaining for preservation projects and AHTF available in the fiscal year (FY) 2020/21 budget. Key elements of the LHTF program requirements are:

- Funds must be used for construction and/or permanent loans

¹ <https://data.oaklandnet.com/Equity-Indicators/Rent-Burden/fsve-tisg>, data sourced from American Community Survey Public Use Microdata Series, 2018.

² Michelle Kingston, "Oakland's Homeless Population Increased by 47 Percent in Two Years," KRON4, July 23, 2019

³ U.S. Census Bureau, *Population Estimates, July 1, 2018 (V2018)*, P94-171

⁴ U.S. Census, 2017 ACS 5-Year Survey (Table B03002)

- At least thirty percent (30%) of the funds must be expended on assistance to extremely low-income households
- No more than twenty percent (20%) of program funds can be expended on moderate income households
- Eligible uses include rehabilitation of affordable rental housing, emergency shelters, permanent supportive housing, homeownership projects, and Accessory Dwelling Units

In addition, selection criteria favor applications that have the deepest affordability targeting, that include prospective projects that are most ready to commence construction, and that increase the supply of lower income rental housing through new construction.

The features that create a competitive application align well with the City's most recent NOFA programs: New Construction (most recent NOFA released April 2020), Acquisition and Rehabilitation (most recent NOFA released August 2019), and the Acquisition and Conversion to Affordable Housing (ACAH, most recent NOFA released November 2019). Each of these NOFAs has both facilitated projects to move forward into construction as well as built out the City's pipeline of affordable housing projects. By marrying the LHTF dollars with existing programs, the application will be more competitive and take advantage of this leveraging opportunity to advance more of the City's affordable housing pipeline.

Staff will pursue preparing the most competitive application possible, which will likely feature an emphasis on the City's new construction pipeline. Staff will also explore the feasibility of including ACAH preservation activities to assist smaller projects, particularly those sponsored by Community Land Trusts and Limited Equity Cooperatives, for which other sources of funding are difficult to come by. This use would also assist in preventing potential property sales to investors upon the anticipated wave of foreclosures occurring as a result of the COVID-19 pandemic. The ability to include these activities will depend on the extent to which the projects are eligible and competitive under LHTF guidelines.

FISCAL IMPACT

Approval of the proposed resolution will authorize the application, acceptance, and allocation of the LHTF Program funds in a total amount of \$5,000,000. Successful applicants will receive an award letter from the California Department of Housing and Community Development and will be awarded funds. Applicants will enter into a state Standard Agreement (Standard Agreement) for distribution of funds. The Standard Agreement process will specify, among other things, the amount of funds granted, timeline for expenditure of funds, and the approved use of funds. Expenditure report dates and other requirements will also be identified in the Standard Agreement.

PUBLIC OUTREACH / INTEREST

HCD staff convened a stakeholder meeting on June 4, 2020 with coop and community land trust organizations to discuss how best to utilize LHTF program funds. Stakeholders encouraged the use of LHTF funds to further expand the ACAH program with ongoing engagement with community stakeholders.

COORDINATION

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

SUSTAINABLE OPPORTUNITIES

If awarded, the LHTF funds will finance pipeline affordable housing projects that will address the following sustainability priorities as follows:

Economic: Projects financed by LHTF funds will generate construction, professional services, and ongoing property management jobs in Oakland. Providing families with affordable housing provides financial stability for extremely low-, very low-, and low-income households.

Environmental: By investing in existing housing stock and potentially constructing more infill units, pipeline projects will reduce the pressure to build on suburban or rural land far from the public transit and proximity to jobs that Oakland offers.

Race & Equity: Affordable housing is a fundamental means of achieving greater social equity. Projects financed by LHTF funds will provide housing stability for tenants. The investment of LHTF and City funds into pipeline projects will invest in the development of quality affordable housing for extremely low-, very low-, and low-income residents.

ACTION REQUESTED OF THE CITY COUNCIL

Staff Recommends That The City Council Adopt A Resolution Authorizing The City Administrator Or His Or Her Designee To Apply For, Accept, And Appropriate Up To \$5 Million In Funds From The California Department Of Housing And Community Development Under The Local Housing Trust Fund Program And Allocate Up To \$5 Million For Affordable Housing Preservation And Production Programs.

For questions regarding this report, please contact Christina Mun, Assistant to the Director, HCD, at 510-238-3360.

Respectfully submitted,



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